

OVERSEAS NEWS

WORLD TRADE NEWS

Iraqi leaders 'executed' after conspiracy trial

By Ihsan Hujazi in Beirut

FIVE MEMBERS of Iraq's highest executive body who were formally accused on Saturday of plotting to overthrow the regime of President Saddam Husseini, may have already been executed.

Some 50 Iraqi officers, 100 Baath Party members, and several union leaders were to take part, according to As-Safir.

The official statement said that due to the "national interest" the identity of the "external source" which allegedly provided the money to finance the conspiracy would not be revealed yet.

Portugal's woman premier in a male world

By Jimmy Burns in Lisbon

"I'll believe it when I see it," said one of Portugal's leading politicians on being told that 49-year-old spinster Maria de Lourdes Pintasilgo had been appointed the country's new Prime Minister.

NIGERIA'S DRIVE TO CURB IMPORTS

Britain begins to feel the bite

BY FRANK GRAY

NIGERIA'S efforts at reducing imports are finally showing substantial signs of success following a series of austerity measures introduced by the Government of Lt-Gen. Olusegun Obasanjo.

The downturn in exports from Britain is borne out by the experience of the major shipping companies themselves.

While the shippers generally are concerned at the loss of business, they readily acknowledge that the excesses associated with the mid-1970s Nigerian oil boom led to a chaotic situation.

Dayan in talks on Sinai forces

By L. DANIEL IN JERUSALEM

ISRAELI FOREIGN Minister Moshe Dayan will go to Washington at the end of this week at the invitation of Secretary of State Cyrus Vance to discuss the forces to be stationed in Sinai now that the UN Emergency Force is being withdrawn.

Israel's Defence Minister, Mr. Ezer Weizman, did not participate in the session as he is hosting his Egyptian counterpart, General Kamal Hassan Ali.

The two Ministers are reviewing the progress made so far in the Israeli evacuation of Sinai and considering implementation of the next stages.

UK mission urges development of Brazilian coal resources

BY DIANA SMITH IN RIO DE JANEIRO

A BRITISH coal mission has spent a week in Brazil at the invitation of the Government inspecting the country's coal mining area and holding preliminary talks with senior officials and technicians.

The mission was able to assess after one spot-inspection of Brazil's coal mines and techniques, what range of selective Britain might offer.

The British coal mission feels that, as long as planning is methodical and cost effectiveness stressed at every stage, Brazil's coal can be usefully developed.

S. Korean deficit increases

By Ron Richardson in Seoul

SOUTH KOREA incurred a deficit of \$2.9bn (\$1.3bn) in its merchandise trade in the first half of 1978 compared with a surplus of only \$767m in the same period last year.

More U.S. car men laid off

By John Wyles in New York

BETWEEN 5 and 6 per cent of the \$16,758 hourly-paid car workers in the U.S. will soon be laid-off indefinitely, after a decision by the giant General Motors lay-off 12,600 employees.

U.S. Greek bases threat

By OUR ATHENS CORRESPONDENT

THE GREEK GOVERNMENT appears to have decided to make further operation of U.S. military bases in Greece conditional upon renewed membership of the military wing of Nato.

responsibility over the entire Aegean, Turkey, which had considered this unfair, is now blocking Greece's return to Nato.

Polish economy hit hard

WARSAW—Poland yesterday announced some of its worst economic figures for years, revealing that a bitter winter had dealt a deadly blow to industry, agriculture, construction and transport.

tionally the weakest feature of the economy, did not increase at all, although output was supposed to rise by 7.7 per cent.

Indian politicians vie for power

By K. K. SHARMA IN NEW DELHI

MR. CHARAN SINGH struggled yesterday to form a coalition government in India after the effective boycott by six of the seven Congress Party nominees to the Cabinet of the swearing-in.

A spokesman for Mrs. Gandhi said: "The support announced by our party was for Mr. Charan Singh to form the Government. That chapter closed the moment Mr. Singh was sworn in."

The new Civil Code has annulled the concordat with the Holy See, which had prevented those who had married with the Catholic Church from getting a divorce.

Holland seeking Polish imports

BY CHARLES BATCHELOR IN AMSTERDAM

THE NETHERLANDS is negotiating the import of 600,000 tonnes of Polish steam coal a year over a 10 year period in a deal which would be worth about \$24m at current prices.

The quantities of coal involved in this contract are equivalent to about 15 per cent of current consumption of steam coal in The Netherlands.

The increased use of coal in power stations fits in with Government policy of reducing the use of gas for electricity generation, though oil use is expected to increase in the medium term until the use of alternatives, such as nuclear power and coal, has been stepped up.

SHIPPING REPORT

VLCC rates moderate

BY LYNTON McLEAN

FREIGHT RATES for very large crude carriers (VLCCs) moderated last week from the peak of two weeks ago, but demand for smaller tankers was maintained in most world markets.

believe that August would show rates with a favourable return, despite the large number of VLCC, and ultra-large crude carriers (ULCC) available.

market, there was active demand for several period charters. Owners may be able to gain between \$15 and \$25 per one-year time charter.

Advertisement for 'NOW YOU'VE READ THE FT LISTEN TO IT' with a large graphic and text.

Vertical text on the right edge of the page, including 'Ban Iron', 'Take e Budg', 'AC attac', 'channel tu', 'The t the t', 'You e RND', 'You e', 'Trans', 'Capit', 'Asset', 'If you', 'to the', 'to you', 'amount', 'Volume', 'March', 'You e', 'RND', 'You e', 'Trans', 'Capit', 'Asset', 'If you', 'to the', 'to you', 'amount', 'Volume', 'March'.

UK NEWS

Banking Act starts from October 1

BY DAVID FRUD

THE MAIN provisions of the new Banking Act come into force on October 1. Banks and other institutions which wish to continue taking deposits must apply for authorisation within the following six months, by April 1, 1980.

Treasury said the first, second and most of the third parts of the Act would come into operation on October 1. A statutory instrument had been made to that effect.

The remaining provisions, dealing mainly with the Deposit Protection Scheme, would come into operation within six months or as soon as most applications for deposit-taking authority had been dealt with.

Brake effect of Budget put at 1%

By Our Consumer Affairs Correspondent

THE IMPACT of the Budget is likely to slow the increase in real consumer spending to about 1 per cent in the second half of 1979, according to stockbroker Phillips and Drew.

The broker in its latest review of retailing, says that although disposable incomes will receive a substantial boost from the reduction in direct taxation—particularly in the fourth quarter of 1979 when the main tax rebates are due—this will be offset by the increase in indirect taxes.

Phillips and Drew estimates that the VAT increase alone will add 3 per cent to the retail price index. The likely recession will be to put pressure on gross margins. But in food retailing, where gross margins have been widening slightly to absorb rising costs, this trend is expected to continue in spite of sluggish demand.

November closure for sugar refinery

BY JOHN EDWARDS, COMMODITIES EDITOR

TATE AND LYLE is to close its Walkers sugar cane refinery at Greenock in Scotland in November.

Walkers, the smallest of its four remaining UK refineries with an annual capacity of 110,000 tonnes, is to be merged with Tate and Lyle's other Scottish refinery at nearby Westhurn, where capacity is being increased to 140,000 tonnes.

The combined workforce will be cut from 330 to 338 employees by early retirement and voluntary redundancy.

At the same time, Tate and Lyle is helping to expand a Scottish electronics company at Greenock which is expected to provide 150 new jobs over the next five years. The present workforce is 20.

Tate & Lyle claims that a rise in EEC sugar imports reduced UK exports, and that a decline in UK sugar consumption to 2.3m tonnes has created a surplus production of over 100,000 tonnes costing the group about £3m a year.

Some of the biggest sales losses have been in Scotland and Northern Ireland, traditionally serviced by the Scottish refineries.

In Northern Ireland, imports from the Irish Sugar Corporation have risen to 29,000 tonnes (88 per cent of total sales there) and in Scotland, beet supplies now account for 23 per cent of the market.

This has cut Tate & Lyle sales in the two regions to 140,000 tonnes, while the present production capacity of the Scottish refineries totals 250,000 tonnes.

Tate and Lyle has already reduced refining capacity, mainly at Liverpool.

The hoped-for decline in EEC imports has not materialised. Instead, they have risen to over 200,000 tonnes annually. At the same time, the depressed world sugar market has meant heavy losses on exports, which have fallen from over 200,000 tonnes in 1978 to 55,000 tonnes this year. The company expects to lose £1.5m on exports this year alone, even at the reduced level.

1,000 more garages may close

By Our Energy Correspondent

A FURTHER 1,000 petrol stations could close this year in addition to the 1,400 which ceased trading in 1978, the Motor Agents' Association has warned.

The association has told the Department of Energy that closures might be caused by the way oil companies allocate supplies. Smaller and medium sized filling stations are losing out on deliveries because allocations are based on last year's sales.

However, during 1978 the oil industry was engaged in a price-cutting war and the larger filling stations were receiving subsidies from oil companies in order to maintain sales.

The association is taking up complaints with the Department, which is to investigate the procedure for allocations. "Many members feel they are being unfairly treated by their oil company suppliers," said Mr. Bob Pearson, the association's director of petrol services.

Merseyside 300-acre dockland site will be let to council

BY ANDREW TAYLOR

MERSEY DOCK and Harbour Company has decided after all to go ahead with its plan to let 300 acres of former dockland to Merseyside County Council.

Last month Sir Arthur Peterson, Mersey Dock's chairman, told shareholders that other options for the disposal of the South Dock site were to be considered.

This followed the Government's decision to scrap the Community Land Act under which the council would have been able to compulsorily acquire the site if a lease had been refused by Mersey Dock. However the company has now decided to go ahead with the letting at an annual rental thought to be between £300,000 and £400,000.

The council is expected to approve the terms of the lease, to run for 150 years, at its August 7 meeting. The council will also have the right to acquire the freehold after January, 1985 or earlier if the company so requires. Around 100 commercial and

industrial firms already operate within the area which contains some 3.5m square feet of buildings. A council spokesman said that encouragement will be given to the retention and growth of existing firms and employment in the South Dock.

A number of redevelopment schemes are also being considered. These include a trade centre and office complex at Canning Dock and a leisure centre and hypermarket. The council also proposes to develop a maritime museum on the riverfront at Canning Dock.

The deal is significant for Mersey Dock which in 1995 faces its first interest bill payable on loan stock issued after the company almost went bust in 1970. It was only rescued after a capital reconstruction involving a 60 per cent write-down of capital and the issuing of loan stock carrying a 10 per cent coupon.

The injection of cash from the letting comes after the company incurred a £1.47m pre-tax loss last year after redundancy payments of £2.7m.

Store freehold sold for £17m in leasing deal

By Andrew Taylor

RAYBECK, the fashion retailer and manufacturer, has agreed to sell the freehold of its Bourne and Hollingsworth store in Oxford Street to Equitable Life Assurance Company for £17m.

Equitable Life (which has acted in association with Scottish Amicable Life Assurance) will lease the store back to Raybeck at an annual rent of £900,000.

Mr. A. Simons, Raybeck's deputy chairman, said the rental was about half the current market rate for the store.

The lease is to run for an initial period of 35 years but with a maximum possible life of 200 years. Rent to be reviewed every five years, will be kept at half the current market rental over the period of the initial lease.

Involvement

Although it will no longer own the freehold, Raybeck will retain its freehold rights for half the store ensuring involvement in future development decisions. Mr. Simons said that after taking into account overdrafts and borrowings raised to meet Raybeck's £12m acquisition deal of the store group last year, the group will be left with around £11m from the sale and lease-back.

He said the group would now look around for new investment opportunities. Raybeck last September acquired the leasehold of the Oxford Street store as part of its £11.3m takeover of Bourne and Hollingsworth. The group subsequently paid another £750,000 to buy the freehold. Mr. Simons said that the store was now worth around £30m.

Parliamentary system 'hamstrung'

Financial Times Reporter

BRITISH INDUSTRY is hamstrung by a Parliamentary system which is unequipped to take major policy decisions, says Sir Richard Marsh, chairman of the Newspapers Publishers' Association.

"Politicians are unable to look at issues in a rational and numerate way," he says in the latest edition of the business magazine Industrial Management.

He claims that the structure of Parliament has remained relatively unchanged over the past 250 years and is not geared to the type of managerial decision-making process required today.

"What we have are 635 people from different backgrounds having a sort of chat four days a week and a Cabinet which is not much better. The whole thing is totally ineffectual."

As a result, he claims, Parliament is becoming less relevant in industrial matters and the National Economic Development Council probably carries more influence over prices and incomes than the House of Commons—and rightly so.

Home buyers seek advice

MORE THAN 100 callers a day are seeking home buying advice at the Greater London Council's home ownership office in Covent Garden, which gives details of homes for sale, home loans and the GLC's home-ownership scheme.

The office was opened three weeks ago by Mr. John Stanley, Housing Minister. More than 1,500 people have visited, seeking help and guidance. Mr. George Tremlett, leader of the GLC Housing Policy Committee, said the response from potential home buyers showed what a positive role the office could play.

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Another benefit of modern technology is available to the home owner. An exterior wall coating so tough and durable that it is guaranteed to eliminate exterior house painting for 15 years. This remarkable development is Kenitex Textured Coatings.

Developed during the last war, in the U.S.A. and now manufactured in 34 countries, there are over six million Kenitex applications on homes, as well as commercial and industrial buildings throughout the world. In the U.K. thousands of applications remain in perfect condition after more than 15 years' exposure in all weather conditions.

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Shot from a gun Kenitex is factory guaranteed for 15 years against chipping, flaking and peeling. It is extremely flexible and withstands all normal building expansion and contraction. Actually shot from a gun, Kenitex fuses to the building walls. It is available in a

variety of beautiful modern colours. Kenitex performance is backed by Agrément Certificate 79/688. The cost is surprisingly low—obtain free information by phoning 01-570 4605 (24 hrs.) or writing to Kenitex Chemicals (UK) Ltd., Dept. F, Free Post, Hounslow TW4 5BR (no stamp needed). Qualified contractors throughout the U.K. are prepared to quote without obligation and home improvement loans are available. A limited number of dealerships are open for enterprising companies to take on sales and application of Kenitex throughout the United Kingdom.

Company law to move closer to EEC rules

BY CHRISTINE MOIR

COMPANY LAW will be brought closer to EEC practice next month with the publication, promised by the Government, of a consultative document covering proposed changes in accounting principles and disclosure regulations.

In particular it will outline the relaxation of disclosure rules for "proprietary" companies: small companies managed and owned by the same people. Details of these changes were omitted from the Companies Bill, which will have its second reading in the House immediately after the Parliamentary recess.

At its first reading, Lord Trevelyan, Minister of State for Industry, said that the omission was because the Government wanted

to include that element in the consultative paper.

The timing of the paper means that the next Companies Bill, which will implement the EEC's Fourth Directive, is likely to come before the House in autumn next year rather than spring.

The Fourth Directive is the chief instrument for harmonising rules for formation and supervision of companies throughout Europe.

It includes provisions for several tiers of companies, the lowest of which would be proprietary companies. They would be required to provide less information in their accounts than large public companies and would face less stringent auditing.

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Business information...

where can I get the answers I need?

The Financial Times, as the businessman's newspaper, is probably one of your prime sources of information. But often, you will need to go deeper and cast the net wider; and, to that end, the FT can help you even more by putting its own information centre at your disposal.

Over the years we have built up an extensive library and a network of information contacts which is almost certainly unequalled elsewhere in the business community. We have developed a research centre of people experienced at using these resources and matching them to particular business needs.

This FT information service can now be made available to a further limited number of subscribers who will be given direct access to the research staff through an ex-directory number.

The scope of our service is so broad that it is best explained through demonstration and discussion, but two examples of how our current clients make use of the service may help to clarify the possibilities.

Client A: A Merchant Bank

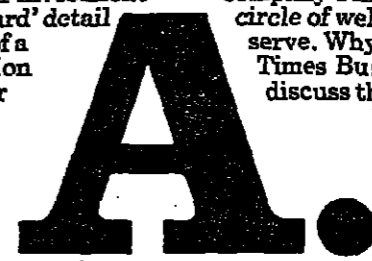
A merchant bank finds we can supply the back-up information needed to analyse individual companies as prospects for investment and loans. Not only in the form of 'hard' detail on the published financial standing of a company but also the 'soft' information gathered from press coverage of their

policies, the people who own and run the company and their new product development stance. Sometimes the information available to the FT information service is so 'live' it has not yet percolated through to the business community at large. The bank also finds we are the authoritative source of foreign exchange rates, which are often needed as far back as 5-10 years.

Client B: A leading Advertising Agency

A leading Advertising Agency looks to us for information on new markets which are being investigated for the agency's clients, and data is drawn from many sources gathered together at the FT. Interpretation and analysis of the information is also provided when required. Frequently this research has to extend beyond the UK and here our worldwide network of contacts becomes extremely useful. The agency also finds we can brief them on organisations who are their potential clients, right down to autobiographical details on the senior managers.

There are of course, many other possibilities and our clients cover the entire field of business and industry. It would certainly be in your company's interests to join the exclusive circle of well-informed organisations we serve. Why not telephone the Financial Times Business Information Service and discuss the facilities in greater detail with us.



From the FT Business Information Service

Call Sue Taylor or Julie Williams on 01-248 8000 Ext. 7087 or 334 or on 01-236 3430 for further details.

If you would prefer to have a brochure... please have your secretary type or print your name and address below and send it to THE SALES DEPT.

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For more information contact: The Director, RNLI, West Quay Rd., Poole, Dorset BH15 1HZ.

Over 100,000 people would have been lost without us.



UK NEWS

Radical shift vital for Labour-Benn

BY PHILIP RAWSTORNE

THE LABOUR Party should fight the next general election on a radical, socialist programme along the lines that brought it an overwhelming victory in 1945, Mr. Anthony Wedgwood Benn said yesterday.

Home Bill to extend improvement grants

BY MICHAEL CASSELL

ENCOURAGEMENT to improve houses is to be included in the Government's proposed Housing Bill.

Two reviews expect sterling to decline

BY PETER RIDDELL

STERLING WILL weaken over the next 12 months say two leading foreign exchange market commentators in new reviews.

State cuts justified, says Prior

By Philip Rawstone

THE GOVERNMENT'S cuts in the planned levels of public spending were vigorously defended by Mr. James Prior, the Employment Secretary, at the weekend.

Oil companies take more men off strike-hit rigs

BIG OIL companies continued to move men ashore at the weekend as the North Sea catering workers' dispute affected more rigs and platforms.

Building society backs grants

THE ABBEY NATIONAL Building Society has set aside £100,000 this year to lend to individual owners in Manchester's Acres Road, Chorlton-cum-Hardy, general improvement area.

LABOUR

Insurance union in merger

BY ALAN PIKE, LABOUR CORRESPONDENT

MEMBERS of the 2,500-strong Phoenix Staff Union have voted seven-to-one to amalgamate with the Banking, Insurance and Finance Union.

Post Office strikers attack 18% offer

SIX HUNDRED Post Office computer strikers, who have stopped telephone bills going out for more than three months, came out yesterday against an 18 per cent pay offer on which peace hopes rest.

Oil companies take more men off strike-hit rigs

PERSONNEL departments of big oil companies are expected to meet in Aberdeen today to discuss the strike, but BP said: "It is a contractors' dispute. We are not interfering but are keeping it under review."

Radio praised by Aims

THE BEC Radio 4 Today programme has been given two awards by Aims, the private enterprise organisation, after an analysis of a month's output.

MP urges extra aid for forestry

A TORY MP is seeking extra help for expansion of the forestry industry as Britain is one of the least forested countries in the Common Market.

GEC strike for more pay

PRODUCTION in all eleven divisions of the GEC works at Stafford will be affected today by a strike involving 2,000 hourly-paid workers.

BUSINESSMAN'S DIARY

Table with columns: Date, Title, Venue. Lists various trade fairs and exhibitions from July 31 to August 23.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table with columns: Date, Title, Venue. Lists international trade fairs and exhibitions from August 7 to August 26.

BUSINESS AND MANAGEMENT CONFERENCES

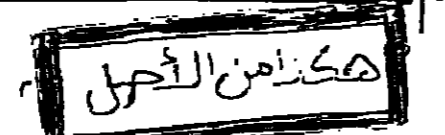
Table with columns: Date, Title, Venue. Lists various business and management conferences from July 31 to September 18.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final.

Large table listing financial diary entries including company names, meeting dates, and details of shareholder meetings and dividends.

BANCO DE MADRID ANNUAL MEETING HELD ON THE 23rd JUNE 1979. Includes financial data for 1978 and 1977, and a list of employees, branches, and clients.



Vertical advertisements on the right margin including 'EGL', 'MACHIN', 'Design', 'hatch', 'COMPON', 'Dunlop', 'Impoin', 'signals', 'fresh air', and 'electric'.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

MACHINE TOOLS Designed for small batch shaft work

THE Multi-Turn MGS00C turning machine just introduced by The Drummond Division of Staveley Machine Tools is stated to be intended specifically for economic application on small batch shaft or chucking work up to 800 mm diameter by 1500 mm long.

The need for tool changes only the company will occur in only exceptional circumstances and job change-over normally involves merely running a magnetic tape cassette to load a fresh programme into the system memory.

COMPONENTS Dunlop brake pad move

DRAWING ON expertise gained in the aviation field, Dunlop is entering the motorcycle brake pad market. The new sintered pads, a major step forward in disc brake technology, will initially be sold within the UK, but Dunlop has its eye on the world-wide replacement pad market and is also involved in talks with the large Japanese manufacturers.

Since the introduction of disc brakes on motorcycles their performance in the wet has been a growing cause for concern. Ever watchful of rising accident figures it was the government's Transport and Road Research Laboratory that prompted Dunlop's research work. The new pads produce virtually the same characteristics in the wet as they do in the dry.

Pinpoints the weight

FURTHER weighing cells and force transducers from Heddinger Baldwin Messtechnik, Sheffield Way, Ruislip, Middlesex HA4 0JT (01-841 5121), are for measuring static and dynamic compressive loads from less than 1 tonne to 500 tonnes.

Signals low pressures

NEWLY AVAILABLE from Foxboro is a low range electronic differential pressure transducer, 834 DP, which can provide signals representing low differential or static pressures, air flow and draught measurement in the power, pulp/paper, cement, glass and several other industries.

SAFETY Fresh air in the vaults

FOR MOST people being locked into a sealed, airless, sound proof bank vault will remain a fiction only to be seen in a television crime production.

But for some bank staff it is a danger to be lived with and has prompted Chubb to develop a life-saving unit which will provide the two main needs of people so trapped—air that is breathable and communication with the outside world.

The equipment is about the size of a four-drawer filing cabinet and will ensure that a substantial number of people trapped in a fairly small vault no tragedy will occur due to oxygen starvation and carbon dioxide build-up. The system is fully automatic so that no action has to be taken by the trapped occupants. In addition, the unit provides self-contained illumination.

An air sampler measures the carbon dioxide content every three minutes; if the figure rises above 2 per cent, the air system switches on automatically and the vault air is immediately circulated through an absorption unit which removes the carbon dioxide.

At the same time oxygen is fed into the air to compensate for that lost by conversion to carbon dioxide and to maintain constant internal pressure. Circulation continues until the carbon dioxide content has dropped below 0.5 per cent, and

ties which enable any programme subsequently reloaded into the memory to be modified either temporarily or permanently.

The machine can be equipped with Drummond's patented Dual Driver system for shaft work, which enables a component to be machined over its entire length at one loading without the need for any end-to-end reversal and second operation.

A special workdriver set into the chuck can be actuated at the appropriate points in a cycle in conjunction with the tailstock so that the workpiece is moved to the right, clear of the chuck jaws. This movement can take place twice if required, to true up the end prior to it being gripped by the chuck for the heavy cutting sequence, then again for finishing this end of the work.

During the development programme regular contact with the Japanese was maintained, particularly with Kawasaki. When expanded world-wide and if the Japanese were to use Dunlop to take its work a stage further.

Dunlop's aim is to eventually produce a total brake management system. To this end the TRRL is putting up £200,000 for work into anti-lock devices. With 1.4m two-wheelers on the road in the UK, and sales rising rapidly, this in itself represents a healthy market for replacement pads.

ALAN WRAIGHT

tion grade transducers. Top of the series in accuracy (class 0.03) is the C3H range which includes nine transducers for nominal loads from one to 100 tonnes.

All transducers in the series are supplied calibrated either in units of weight (kg) if they are to be used as weighing cells, or in units of force (newtons) when they are to be used as force transducers.

The strain-gauge measuring elements are inside a sealed housing providing protection to DIN and IEC standards.

The two wire transmitter, with dc power supplied over the signal lines can be used in both ordinary and hazardous locations. An optional internal power supply can be provided for replacement of obsolete four wire transmitters which require separate ac power.

More from Foxboro-Yoxall, Redhill, Surrey, RH1 2HL (0737 6500).

will re-start whenever it exceeds two per cent. This is well below the limit at which the physical condition of the occupants will be affected.

The system is vastly superior to breathing tube arrangements claims Chubb. These provide no illumination and may well not be able to draw in enough air to support a number of people. From the security point of view, such systems also present a serious risk in terms of attacks against the vault using explosives.

In the Chubb unit, which requires no external services, the oxygen content is kept to within 18 to 20 per cent and has been designed with a 100 man-hour capacity.

Activation is by means of a single permanently illuminated switch. Once activated the unit provides background illumination in its immediate vicinity. A facility for voice communication and the sounding of external alarms can be provided.

Power is provided from long life batteries and low voltages are used throughout, avoiding fire and shock risks. Only periodic service checks are required but there is also an automatic "need for servicing" indication to ensure that the equipment is kept in optimum condition.

More from Chubb and Sons Lock and Safe Company, Tottenham Street, London W1P 0AA (01-837 2877).

● DRAINAGE Making sure of the ground

PROBLEMS CONCERNING difficult ground conditions on the site of a trial railway embankment for British Rail main line diversion at Selby have finally been overcome by Cementation Ground Engineering after the withdrawal of two other contractors.

New embankment is to carry the tracks for the main line diversion caused by the development of the new Selby mining complex and, as it is to be situated on soft ground, significant settlements are expected during and after construction. Successful installation of the trial 15-metre deep vertical drainage system required the penetration of a dense sand layer at a depth of about seven metres and the original contractor had severe problems in penetrating the ground and subsequently withdrew from the site. A second contractor also declined, because of the difficult driving conditions.

Cementation was then asked to install its Sandwick drains, using the company's high frequency vibrator and the required trial area was completed within a few days.

Main contractor for BR, A. Monk and Co., will now construct trial embankments on treated and untreated areas which will be monitored over a consolidation period.

Cementation Mining (a sister company of Cementation Ground Engineering) is currently involved in driving two parallel drifts at Gascoigne Wood.

● INSTRUMENTS Inspection from the inside

A PANORAMIC tube head for use with its mobile radiographic unit has been introduced by Andrew NTD Products (UK), 12, Trafalgar Way, Bar Hill, Cambridge, CB3 8SQ. (0954 81616.)

These units employ compact, oil-insulated, ceramic tube heads which can be passed through openings as small as 100 mm diameter enabling radiography to be carried out in confined spaces. The new panoramic tube head will augment an existing range of directional heads and greatly increase the versatility of the unit by permitting one-shot inspection of tubular components.

Andrew constant potential X-ray units are widely used in the aircraft industry for critical inspection procedures on very thin sections or low density material and in the nuclear industries for the inspection of pipework. A closed circuit, water-cooled anode enables the equipment to be continuously used at maximum rating in such applications as factory-based production control systems used in the motor-tyre industry.

Checks fire appliances

THE LEVEL of liquid Halon fire suppressant in storage containers can be checked accurately and quickly using a portable device called Cali 1000 from Chemtron, 14, David Road, Colnbrook, Slough SL3 0BH (02812 5141).

There is no need to remove the containers from their storage racks. Instead, a transducer probe is used like a stethoscope on the exterior of the cylinder to determine the position of the liquid surface to within 1 inch. Then, simple charts and temperature correction factors are applied, enabling the exact weight of the Halon lost from the unit to be found to an accuracy of 1 per cent.

Gas check widened

AS WELL as giving monitoring protection against hydrogen sulphide and oxygen deficiency, the Otox 30 instrument made by Neotronics now has the extended ability to monitor carbon monoxide.

It will have particular application wherever build-up of the gas is a positive risk including boiler houses, chemical plant, car test facilities, metal heat treatment areas and steel works.

A detector card (costing about 25 pence) is inserted which will monitor for up to eight hours; it carries a reagent selective to carbon monoxide which is inspected by an opto-electronic system. A time weighted response is produced, roughly matching the way in which the body reacts to toxics.

The instrument's response time at the threshold value of 80ppm is 15 minutes, while at the short term exposure limit, 400 ppm, this is reduced to three minutes. At high concentrations the alarm will be given in 30

seconds. A high pitched warbling sound is emitted, with a visual indication.

More from the company at Parsonage Road, Bishop's Cleeve, Herts. CM22 6PU (02279 870182).

Portable recorder

A ROBUSTLY encased battery-powered high-speed two-channel recorder weighing 22 lb. ideal for field work in science, medicine and industry is offered by Russet Instruments, Sheen Park, Richmond, Surrey TW9 1UN (01-940 9981).

High accuracy feedback galvanometer writing technique is used and 13 sensitivity levels are available from one millivolt to ten volts per millimetre. A heated stylus is employed with low cost thermal recording paper. The trace for either channel can be placed anywhere across the 50mm width of the paper.

Four fixed chart speeds of 1, 5, 25, and 100 mm/sec are provided, and there is also an uncalibrated variable speed control. Gel batteries are provided yielding about four hours' running time before re-charging, and the recorder can be used while charging is in progress.

Other facilities include a precision internal calibration source, variable gain control for each galvo and an event marker. The unit, which is known as Dash-2, can also be operated from the mains.

● HANDLING Moves the goods at low cost

RIGHT-ANGLE powered-roller corner unit, allowing packages to be transferred under power within the width of both conveyors, has just been added to the equipment range of P and R Mechanical Handling, Penryhol Works, Caerphilly, Mid Glam (0222 885505).

By using the same drive as the supplying roller conveyor, says the company, the cost is kept very low, as neither starter motor nor gearbox are required.

Under these circumstances, a typical price is under £200—a saving of 75 per cent it claims.

● PACKAGING Printer's extra scope

WIDER WIDTH paper sacks, and board cartons up to 129.5 cm wide and 18 mm thick in unlimited lengths can be handled by the new Mk III Lawco overprint machine now available on the home market, announces Lawtons of Liverpool, 60 Vauxhall Road, Liverpool L69 (051 237 1312).

Print area on this model is increased to 63.5 cm in length by 76 cm width. This extra width is obtained by either fitting one cylinder with that size print area or, alternatively, fitting two adjacent cylinders with respective print heads of 50.8 cm and 25.4 cm widths.

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● MATERIALS Wrapping of food products

STATING THAT it has been led to make the move because of significant increases in polythene prices, Wycombe Marsh Paper Mills has developed a new glazed imitation parchment paper suitable for wax coating to produce bread wrapping and confectionery packaging.

Available in a range of light-weight substances from 30 gsm upwards, the paper's characteristics include a smooth surface to ensure the even take-up of wax or similar impregnants and avoid the mottled final appearance characteristic of some products. Waxed opacity is maintained through the addition of high purity loadings which can be varied to suit manufacturers' specifications for a range of differing types of food packaging or wrapping.

Further details may be obtained from Wycombe Marsh Paper Mills, High Wycombe, Bucks, HP11 1ES (High Wycombe 33400).

On April 23, Fortune magazine called us the upstarts. Two weeks later they put us in our place.

500 Data General

This April, after just 10 years in the business, Data General made the Fortune 500.

In fact, we are number 500. And if you look at the figures on sales growth, among companies not making an acquisition, we're number one, with a 49.2% increase over last year. And that's not bad for a company nobody took too seriously back in 1969.

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By having employees who constantly come up with new and better ways of computing. And by putting a higher percentage of sales

into R&D in the last ten years than any of our major competitors. An investment that's paid off in products which we feel offer the best price/performance ratio in the industry. A commitment to good value that's led to a 15% decrease in prices per year. And a customer satisfaction that's second to none.

In fact, Datapro Research Corp., an independent, American research group, recently charted our Commercial Systems satisfaction level at 3.8 on a scale of 4.0.

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THE MANAGEMENT PAGE

How shareholders might develop the power of unused muscle

Christopher Lorenz looks at a series of papers on management accountability

THE Government reports direct to the people at the end of each year, but the people have no representation by Members of Parliament...

Researches have led him towards some trenchant conclusions and recommendations. "For most companies, in most situations, the ritual of the annual general meeting and the voting machinery provides little more than a pointless charade..."

Discipline In an accompanying paper in the same booklet, Sir Arthur Knight disputes this argument, claiming that shareholders' meetings are "an important discipline upon directors even when they appear to be merely formal..."

especially in view of the growth in importance of institutional investors—but not in the way advocated by Dr. Midgley. In fact, one of Sir Arthur's points is that the role of AGMs is likely to become more important, particularly in the light of proposed legislation on insider dealing.

Not only is Dr. Midgley doubtful about the viability of AGMs, and annual reports, as forms of accountability, but he also—in no uncertain terms—questions the effectiveness of non-executive directors and auditors.

and enforce a continuous and effective form of accountability, Dr. Midgley advocates the creation of direct private shareholder representatives on management or supervisory boards (preferably the latter). They should be proposed, not by the chairman of the company, but the shareholders themselves, he says.

Countering the obvious objection that institutional investors, who now own over half of quoted company ordinary shares, can exert considerable pressure on boards, Dr. Midgley stresses that investment managers are not direct investors, but intermediaries. So they "may not have the same intensity of interest in the profitability of their investments as the fairly large private shareholder."

and accountability are not identical. "A company may have responsibilities towards various parties, but this does not necessarily mean it should be accountable to them in the sense of submitting a report to them." He illustrates the point thus: "A man has various responsibilities: not to commit bigamy, not to get drunk and disorderly, nor make a public nuisance of himself; but these are duties of a negative kind, and he does not normally have to submit a report on his good behaviour. Nor, at present, does a company have to submit a report on its non-pollution of the atmosphere or its pursuance of an impartial employment policy, although it may, of course, make voluntary disclosure on such matters."

From the outset, Dr. Midgley emphasises that responsibility

ability to employees, as with shareholders, may be really significant only if a more continuous and accessible contact with management is maintained than at present operates in most companies; for example, through works councils... such participation by employees could offer prospects of better industrial relations and some gain to productivity, while occasioning no loss to shareholders.

But he argues that "account-

exists. But while a board should accept clear social responsibilities, it should not pursue and create them as an end in themselves." Dr. Midgley is far less open to the notion that boards should be accountable for social and/or moral responsibilities and, for example, submit to a social audit. "Companies should certainly act with responsibility, but while accountability for breaches of law cannot normally be avoided, there should, as things stand at present, be no need for positive accountability in the sense of a general statement of social good deeds or restraint from social wickedness. It is doubtful whether a report along these lines would be more than a vague and pious statement of self-approval."

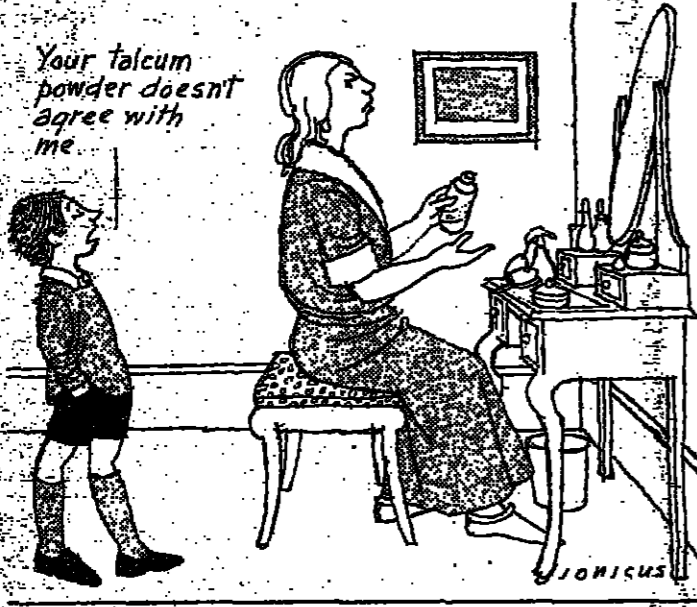
As far as the idea of an independent social audit is concerned, Dr. Midgley considers this would be more critical and objective, but that as a regular exercise it would be a costly and unjustified distraction "for the great majority of companies."

Dr. Midgley's and Sir Arthur Knight's papers for the first booklet in the Corporate Governance and Accountability series. The third paper, by Harold Williams of the SEC on "The role of the corporate secretary in promoting corporate accountability" is about to be published. Each booklet costs £2.00, from the Institute of Chartered Secretaries and Administrators, 16, Park Crescent, London W1N 4AE. Tel. 01-580 4741.

EXECUTIVE HEALTH

Fighting the battle against allergies on three fronts

BY DR. DAVID CARRICK



MANAGEMENT OF the common varieties of allergy falls into three major categories: avoidance; active defence; and artificial prevention.

The first is deceptively easy. If one knows that certain foods cause one to suffer allergic reactions, then one should avoid them for ever because each indulgence leads to increasing trouble.

Defensive treatment of common allergic reactions is usually by the use of antihistamines. In severe reactions, corticosteroids are very effective and do not produce the drowsiness which commonly occurs with many of the former drugs.

Active prevention is achieved by desensitisation. Before this can be done, the difficult search for the allergens has to be made. Diagnostic kits are available to doctors, but most prefer clinics which attain great accuracy.

I remember an episode which taught me a lesson or two. I was told to carry out tests on a small boy who suffered from allergic asthma twice daily. Having carried out some 15 patch-tests, I inspected them after about 10 minutes and, very foolishly, mentioned to the mother, a large and overflowing sort of woman, and her nervous husband that, at the moment, a slight reaction to "cat fur" was showing.

The woman's reaction was positive. "Right!" she said, "we'll kill the cat! That's your job, Hubert," she stated to her husband. "So just run along and do the job now!"

and not to be so hasty. No valid answer could be expected for another 15 minutes. The cat was grumpily relieved, and three of us were very happy eventually to find that the only strong reaction was to "Orris-root" which was widely used in talcum powders. I pondered about this. So the boy encountered talcum-powders twice daily? I tried a long shot. "Does young Sammy come and talk to you when you are dressing?" I asked the woman.

She grew larger and redder. "Just what are you suggesting, young man?" she demanded. "Is there something wrong about a four-year-old talking to his mummy when she dresses? Are you trying to be offensive?"

talcum twice daily was when you were using it. The times of his asthma fit well. So please don't kill the cat: just change your powder."

The woman grabbed her son and sailed off like a Spanish galleon, not beaten but just filled with impotent fury. To give her due credit, however, she stopped wondering the boy (who preferred the cat anyway) and his asthma occurred no more.

1-150th of a strawberry on the first day; 1-75th on the second day and so on until, after some months, he was consuming nearly a pound a day.

Then he stopped, and Dr. C. took him to task: "Very naughty," he admonished, "because you have probably undone all the good we achieved." The man was unrepentant: "Never mind," he said, "I am quite cured. Not only has it cost me a fortune, but I never want to see a strawberry again!"

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Business courses

Noise in Industry, Uxbridge, Middx. September 25. Fee: £65. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middx., UB8 3PH.

Managing the Development of Microprocessor Based Systems, London, September 25-26. Fee: £160. Details from Course Registrar, Bleasdale Computer Systems, 7, Church Path, Merton Park, London, SW19.

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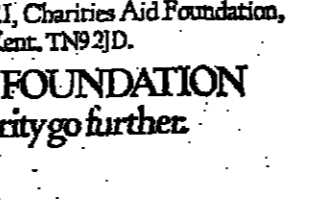
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Interest rates and sterling

BY SAMUEL BRITMAN

TWO INDUSTRIAL lobbies are building up which are a much greater immediate threat to the sensible elements in the British Government's economic policy...

Adjustment

It would be better if the adjustment came from interest rates and not from a reversal of sterling's movement...

Well before sterling levels off international interest rate differentials should narrow...

The purely domestic opponents of sound money can probably be kept at bay...

F.T. CROSSWORD PUZZLE No. 4034

Crossword puzzle grid with clues for Across and Down words.

IT WAS Dr. Johnson who first recognised that the ordinary man is rarely fit to plead his own case in the courts...

Thus any legal system — and particularly the adversary system of English law — calls for legal representation if it is to operate with anything like justice.

The adversary system demands, above all, that communication between lawyer and client should be strictly confidential...

Privilege against disclosure

The privilege against disclosure of information supplied by a client to his lawyer comes into conflict with another major principle of the administration of justice...

Two-fold purpose

The joint internal report was produced for railway operation and safety purposes and also for the purpose of obtaining legal advice in anticipation of any claims made against British Rail...

RACING BY DOMINIC WIGAN

memorable finish to the July Stakes. Lavinsky, Price's intended runner for Wednesday's Foxhall Stakes, looks to have a stiff task under 9 st 3 lbs...

GRAMPIAN

5.00 am News and Weather in French followed by Daniel Gauthier. 9.25 am First Lunch...

GRANADA

10.30 am News and Weather. 11.25 Valley of the Dinosaurs. 11.45 A Handful of Songs...

HTV

10.30 am HTV Party. 10.55 Weir's Way. 11.25 The National Benzole Master Bowler Championship...

SCOTTISH

10.30 am Andy's Party. 10.55 Weir's Way. 11.25 The National Benzole Master Bowler Championship...

SOUTHERN

10.30 am Andy's Party. 10.55 Weir's Way. 11.25 The National Benzole Master Bowler Championship...

Need for new approach to litigation

claims made against British Rail. The first was the more immediate purpose, but both were considered equally important...

THE WEEK IN THE COURTS BY JUSTINIAN

public may well depend on the candour and completeness of reports which draw attention to defects; this does not in law justify a claim to privilege...

scope of legal professional privilege reveals an unease among the judges in the maintenance of this privilege.

Would seem excessive

The public interest in disclosure could only be overridden in order that the possessor of the report might freely prepare his case for trial.

scope of legal professional privilege reveals an unease among the judges in the maintenance of this privilege.

Adversary system

Is it right that society should remain content merely to supply the forum and the legal code, and to leave the parties to select the evidence they adduce to win their cause...

Rain should mean bigger fields

STeady OVERNIGHT rain that began early yesterday morning and continued well into the day has taken a good deal of the sting out of Goodwood's downward course...

ENTERTAINMENT GUIDE

Theatres and Opera & Ballet listings including venues like Adelphi Theatre, Apollo Theatre, and Lyric Theatre.

Radio listings for stations such as BBC 1, BBC 2, and Granada.

Cinema listings for venues like ABC & 2, Shaftesbury, and Lyric Theatre.

TV listings for HTV and Southern stations.

TV listings for BBC and other channels.

TV listings for various channels including Channel 4 and Channel 5.

A Tory dilemma over NEB'S high technology interests

BY MAX WILKINSON

Rhodesia and Mrs. Thatcher

THE QUESTION of Rhodesia has tended to dominate Commonwealth Conferences for almost the last 20 years...

Mr. Heath and Mr. Callaghan all tried to reach a settlement, and all failed. As each Commonwealth Conference approached...

The difference between this week's conference in Lusaka and those which went before is twofold. On the one hand...

It is precisely that impression that needs to be dispelled in Lusaka. Commonwealth Prime Ministers are meeting in an attempt to establish common ground...

Making cars on a world scale

WHEN THE merger between Leyland and British Motor Holdings was arranged more than ten years ago...

For BL, one of the smaller and more vulnerable of the European companies, Mr. Petersen's comments strongly reinforce the logic of the proposed agreement with Honda...

Mr. Donald Petersen, a senior Ford Motor executive, told a conference in the U.S. last week that only companies which operated on a world scale...

AN ADVOCATE defending state intervention in British private industry might well rest his case on two of the National Enterprise Board's most successful investments...



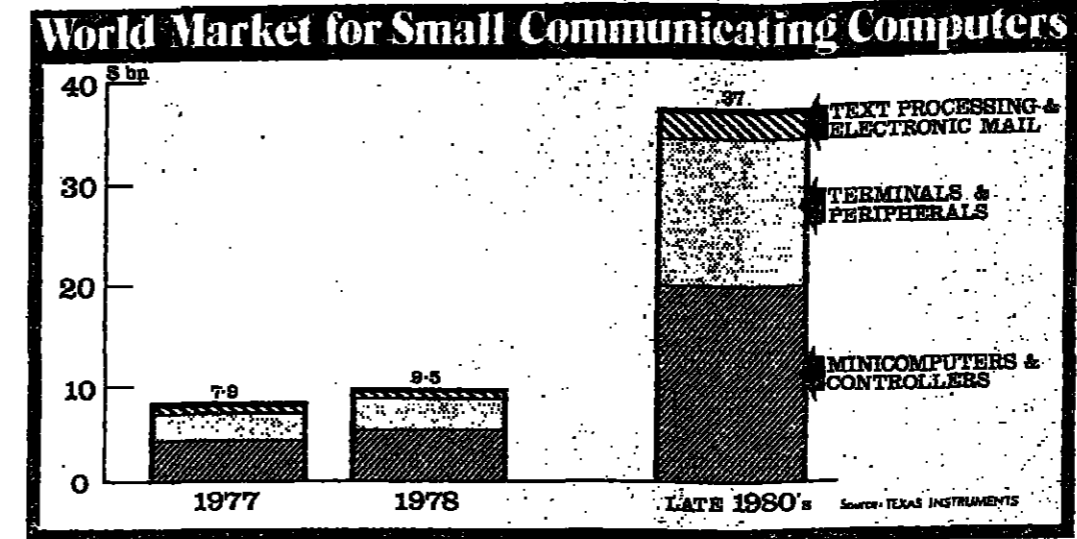
Sir Leslie Murphy, chairman of the NEB

"Ladies and Gentlemen of the electorate," he would say: "Without state interference the ICL would not exist. Without £40m of soft loans from a Tory Government...

Consequently the company might not be very attractive to private venture capitalists, unless they were prepared to wait a long time for their profit.

The NEB holds minority stakes of between 25 per cent and 30 per cent in a group of similar companies which have successful records designing and selling computer systems.

In addition to these private companies in which the NEB has taken minority stakes, three completely new subsidiaries have been started which will require total funding of £100m or perhaps considerably more.



group of computer systems and programming companies under the NEB umbrella. Its job is to extend the range of the business in which they are already successful...

NEXOS was founded to provide marketing and development in communicating office systems. They include computer based typing stations...

The third, and most controversial, of the new companies is INMOS, the subsidiary established last year to make micro-electronic chips.

Budget will be limited Whether or not the new Tory Government liked this strategy in principle, it has been forced in practice to accept the general lines of the NEB's arguments.

The healthy ducks

Systeme and ICL in different ways emphasise the dilemma which the Government has created with its directive that the NEB should on the one hand sell £100m worth of stock to the private sector...

On the other hand, the NEB portfolio includes a group of smaller companies which are not lame ducks, as Ferranti once was, nor in need of the restructuring from which ICL emerged.

MEN AND MATTERS

Electricians spark BUPA uproar

Battle-lines are already being drawn for a row which bids to convulse the Trade Union Congress at Blackpool early in September.

In trade union terms, this is heresy. TUC general secretary Len Murray recently sent out a letter to all affiliated unions...

When I asked him to name them, he declined. "Nearly 20 per cent of members of BUPA are trade unionists, either individually or in groups," said Damerell.

The prospect of being locked in a bank vault, with no means of calling for help, then gradually dying of suffocation or hunger has all the horror of an Edgar Allan Poe story.

In real life, how many people are accidentally or deliberately shut into bank vaults—are there any known cases?

A colleague last week telephoned a leading magazine for which he had written an article and spoke to a temporary secretary.

Proves something These men and women have given their minds to their Country. If we help them, we must have funds. Do please help to repay this vast debt owed by all of us.

is a competitor and could not easily serve under the ICL flag. Second, ICL is preparing, or should be preparing, for a very tough battle to continue its advance in the large and medium sized systems market.

Who, then, could fill the power vacuum which would be left if the NEB were to be pruned so severely that its strategy could not be effective?

Government pessimism

Under the Labour Government, the NEB was considering in a rather general way, the possibility of using its 20 per cent stake in ICL to bring the company into a closer relationship with its other electronics holdings.

This policy of non-interference had advantages, but it is not at all clear whether marketing and development organisations like NEXOS could exercise adequate control over the production, quality and servicing of equipment made for it by other companies.

At the right price ICL, certainly, would be interested in acquiring parts of the NEB's empire. Including some of its interests in computer systems companies and perhaps even slices of INMOS and NEXOS at the right price.

Some of the worst wounds



are the ones that don't show It used to be called shell-shock. Now we know more. We know that the limitations to the human mind in the service of our Country...

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Game With high take Roger Mat

Corresp

Government pessimism

At the right price

Budget will be limited

MEN AND MATTERS

Electricians spark BUPA uproar

Talking big

Some of the worst wounds

هكمان النحل

FINANCIAL TIMES SURVEY

Monday July 30 1979

Gamble with high stakes

By Roger Matthews
Cairo Correspondent

PRESIDENT ANWAR SĀDAT this year made his choice for Egypt—peace with Israel and, optimistically, the road to prosperity for his 41m people. "This is an exciting time," he said recently. "What you are witnessing is the creation of a new nation which will be a model for the Third World."

For the peasant sharing a single-room mudbrick dwelling with his animals, the urban office worker keeping a family of six on £25 a month and the property developers netting millions from the mushrooming luxury apartment and hotel buildings in Cairo, the President has promised that times are going to get better and that the sacrifices incurred by fighting four wars in 30 years are to be repaid.

In their enthusiasm to match Mr. Sadat's ebullience, his officials managed to record a scarcely credible 99.95 per cent referendum vote in favour of the peace treaty, although this should not be allowed to detract from the fact that the large majority of Egyptians are unmistakably pleased by what has happened. But as President Jimmy Carter, the main mover in bringing the treaty to fruition, is finding foreign policy triumphs are no substitute in the longer term for successful economic policies at home. This is all the more relevant when the foreign policy triumphs are themselves subject to heavy qualification.

It is arguable that with every day that has passed since President Sadat went to Jerusalem in November 1977, it has become more unlikely that any Egyptian leader would again be able to

persuade his people to take up arms against Israel. In itself this might be seen, especially by the American administration, as sufficient justification for the peace treaty, whatever the problems it has caused in the rest of the Middle East.

Even without the encouragement given to Islamic fundamentalism by the revolution in Iran and the political vibrations this is sending throughout the Arab world, it is certain that the terms of the Egyptian-Israeli peace treaty would have been condemned by many countries in the Middle East. When combined with the remarkable U.S. and Egyptian insensitivity in explaining the Camp David accords to the more moderate Arab countries, especially the main Gulf oil producers and Jordan, this opposition has developed into a political and economic boycott of the Cairo regime which has far exceeded the fears of Mr. Carter and Mr. Sadat. The Palestinian siege of the Egyptian embassy in Ankara served as a reminder, too, that there are groups and states violently opposed to what Egypt has done. The Egyptian leader's own intemperate outbursts, directed particularly against the Saudi Arabian royal family, have exacerbated an already difficult situation.

With friends such as Mr. Menachem Begin, Israel's Prime Minister, President Sadat scarcely needs enemies. While Mr. Begin's policies and actions



President Sadat with U.S. Secretary of State Cyrus Vance and Israeli Prime Minister Menachem Begin after their meeting in Italy

successfully drive away even the most moderate of Palestinians from the West Bank and Gaza Strip autonomy negotiations, which are the justification for calling the peace treaty a cornerstone for a wider Middle East settlement, so the possibilities of the Egyptian

Government mending fences with the rest of the Arab world are reduced. Only Somalia, Sudan and Oman retain diplomatic relations with Cairo, and while not all the rest would like to see the overthrow of Mr. Sadat they are by default helping to weaken Egypt's already

fragile economic base. Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, has linked the latest OPEC price rises to the Palestinian issue and warned that the West's failure to pressure Israel into withdrawing from occupied Arab territories can but con-

tribute to further instability in oil prices and supply. At the same time Saudi Arabia and the other Gulf states, by cutting off the previous substantial aid flows to Egypt, are placing the responsibility for keeping Mr. Sadat economically squarely on

After 30 years and four wars Egypt has finally made peace with Israel—only to find itself in conflict with the rest of the Arab world. This Survey assesses the economic and political challenges facing the country and the prospects for a lasting peace.

between project financing and commodity credits. Even allowing for the exaggeration aimed at spurring the Western Governments into increased generosity the balance of payments projections for 1979 are alarming and even incredible. They show a balance of trade deficit this year of \$4.3bn compared with \$3.3bn in 1978 and an overall balance of payments deficit leaping from \$1.9bn last year to a staggering \$5.4bn. These figures presume that exports will decline by about eight per cent, that remittances from Egyptian workers abroad and tourism earnings will together plummet by 50 per cent, or nearly \$1.6bn, and that Arab deposits worth \$1.9bn will be withdrawn from the Central Bank.

Should these predictions prove even remotely accurate—and western economic organisations take a view sharply opposed to that of the Government, which has begun to show signs of regret at their publication—then it would be fair to predict also either a radical shift in foreign policy by Mr. Sadat or his replacement.

Difficult

Equally difficult to comprehend is how Egypt anticipates being able to utilise \$18.5bn over the next five years, knowing that Western Governments tie their aid to specific projects and only very rarely provide direct balance of payments support. Last year Egypt received just under \$2bn in all forms of aid, and the main continuing problem for the donors was to employ the money already in the pipeline and to find sufficient attractive projects for future years. Some foreign aid officials estimate that at the moment Egypt can only realistically disburse aid at the rate of about \$2bn without causing more serious inflationary pressures and embarking on projects that are not adequately prepared.

Until the past month Egypt's current external position did not seem one of its more pressing problems, but the latest balance of payments projections now put more emphasis on the stalled SDR 600m IMF facility and the bid to raise up to \$300m on the Eurocurrency market, both of which would provide funds for direct balance of payments support. However there seems little possibility of Egypt being able to draw on the IMF until it takes more positive action to limit its

CONTINUED ON NEXT PAGE

Sadat - man of peace



The Citation

In the course of the last 30 years the people of the Middle East have four times been ravaged by wars. During these three decades many sincere efforts have been made to find a road to the solution of the complicated problems of this area.

With the historic visit of President Anwar Sadat to Jerusalem in November 1977 a breach was forced in the psychological wall which, for a whole generation, has blocked understanding and human contact between Egypt and Israel.

In the efforts to reach a realistic peace order which could build bridges between former enemies and present conflicts of interest the positive initiative taken by President Carter has also played a great role.

The two framework agreements on peace in the Middle East and peace between Egypt and Israel which were agreed upon in Camp David, and which presuppose a courageous will to peace on the part of President Sadat, represent in themselves a victory for the idea of peace in this part of the world.

However, essential negotiations still remain before the idea of peace is anchored in binding political agreements, which can secure a future without war to the war-exhausted people of the Middle East.

By the award of the peace prize for 1978 to Menachem Begin and Anwar Sadat the Nobel committee wishes not only to honour actions already performed in the service of peace, but also to encourage further efforts to work out practical solutions which can give reality to those hopes of a lasting peace, as they have been handled by the framework agreements.

The Treaty of Peace:

A Summary

● The Sinai: Israel will withdraw from the Sinai over the next three years beginning with an agreed sequence starting with the north coast. Within nine months from the signing of the treaty, Israeli forces will have moved east of a line running from El Aish to Ras-Muhammed.

● Palestinian self rule: Within a month of the treaty's ratification Egypt and Israel will begin negotiations to implement the agreement on Palestinian self-rule. They agree to try "in good faith" to complete negotiations on the details of self-rule within a year. There will then be elections of Palestinian local councils as a first step towards self-government. This will be followed by a five-year transitional period during which the final status of the West Bank and Gaza Strip will be negotiated.

● Security: UN representatives will remain in the Sinai to make it a buffer area. Any change in the security arrangements, which can be reviewed at any time by the request of either party, must be by mutual agreement.

● Oil: Israel will withdraw from the Sinai oilfields within seven months from the signing of the treaty. The US has guaranteed to supply Israel's oil requirements for 15 years should an embargo be imposed against Israel.

● Normal relations: After ratification of the treaty, a state of peace will be established between Egypt and Israel. After the first phase of the Sinai withdrawal (within nine months) normal and friendly relations will be established and ambassadors will be exchanged after 10 months. At the same

time, all trade and economic barriers will be lifted, as will boycotts, and cultural relations will be established. Negotiations for such exchanges will begin no later than six months after completion of the interim withdrawal. There will be free movement of people and vehicles between the two countries.

● Free passage of ships: Israeli ships and cargoes going to and from Israel will have the same right of free passage in the Suez Canal as ships of other countries. The Gulf of Aqaba will be regarded as an international waterway.

SADAT: THE MAN

A Biography

From his earliest years, Anwar El-Sadat has been driven by a vision of an Egypt free and at peace. As a child in the quiet village of Mit Abul Kumm, where he was born on 25 December 1918, he acquired a profound love of his homeland and a fierce desire for Egyptian self-determination. By 1938, when he graduated from the Royal Military Academy, this desire had crystallized into action: founder and leader of the Free Officers' Organization, he promoted the idea of armed revolution and social change. Two years' imprisonment and a further year as a fugitive resulted, followed by an 18-month period in solitary confinement. However, his

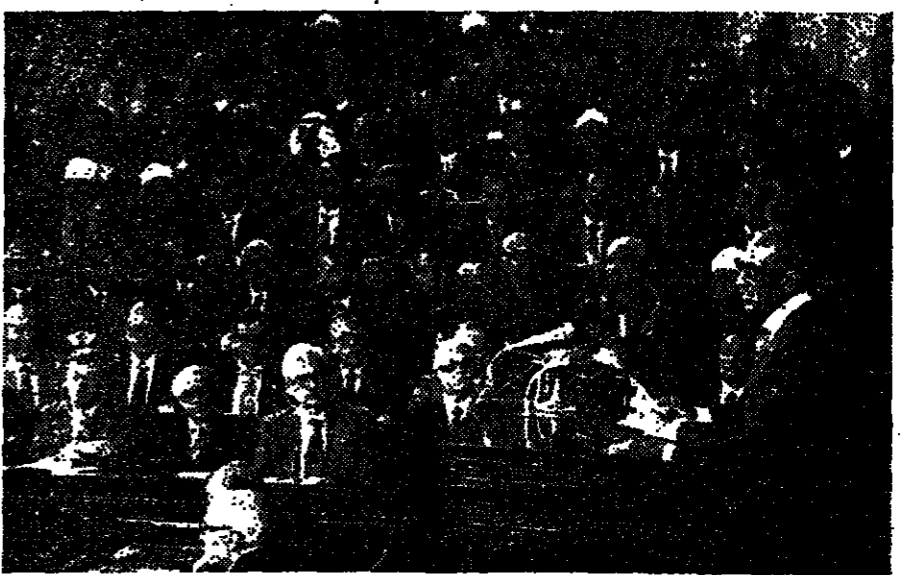
detention did not break the organization, as its leadership was taken over by Gamal Abdel Nasser.

Sadat has described his last eight months in prison as "the happiest period in my life". He attained a spiritual strength focused around his country and the Egyptian people which has influenced all his subsequent actions. "It was in cell 54 that I discovered that love is truly the key to everything... and so I have proceeded from love in discharging my duty... now that I am President of Egypt."

Sadat played a key role in the 1952 Revolution, capturing the radio service and the telephone network and broadcasting the first official statement telling the Egyptian people that the Revolution had begun.

Appointed Minister of State and then Secretary General of the Preparatory Committee of the National Congress after the Revolution, Sadat was elected President of the National Assembly in 1960, an office which he retained until 1968 when he was elected to membership of the Higher Executive Committee and made Secretary of the Political Affairs Committee. The following year he became First Vice-President of Egypt.

At Nasser's death in 1970, Sadat was elected President of the Republic of Egypt.



A Place in History

Since his historic visit to Jerusalem in November 1977, Anwar El-Sadat has established himself as a man of peace.

His peace initiative was undertaken in the certain knowledge that Egypt risked some measure of isolation.

The speech in the Knesset with which Sadat began his final drive to peace spoke of the past without bitterness and of the future with hope, relying on the desire for peace. "What is past is past, he told the Israeli people. Let us take a fresh look at the Middle East situation free of prejudice.

And in the difficult months which followed, Sadat achieved the first treaty of peace between Egypt and Israel since an Egyptian Pharaoh swore friendship with King Solomon 3,000 years ago.

Despite the difficulties which have yet to be surmounted, the Peace Treaty marks a change of heart which few could have anticipated. Where the spirit of peace prevails, its letter will not be allowed to present obstacles in the vital negotiations for Palestinian autonomy which lie ahead.

In achieving this step Sadat has shown himself to be a man who can "wage peace", to use President Carter's phrase, and a man whose vision of peace and love has been strong.

Extract from the introduction by Sufyan El-Sherif Chairman, State Information Service in a book published by The Egyptian State Information Service through the Press and Information Service Egyptian Embassy 26 South Street London W1

PHOTOS BY MEDAL: ASSOCIATED PRESS

مكتبة النهر

EGYPT III

The economy

Scepticism remains

EGYPTIANS ARE on the whole too cynical about the promises of their rulers to assume that immediate economic prosperity will follow the signing of a peace treaty with Israel. There have been too many years of hard grind with few of the basic day-to-day problems—crowded housing and streets, rising food costs and overstretched public services—being solved.

It is the domestic economy with all its traditional problems—an enormous population growth rate, lack of co-operation between economic ministries, an inefficient public sector, inflation, falling agricultural production and uncontrolled budget deficit, and swollen cities—which is being mis-handled most.

Looking at the main pillars of Egypt's economy to see how they are being affected: 1—The Suez Canal is unlikely to be affected unless the Arabs in extreme decided to boycott it—its earnings this year are likely to reach \$550m.

2—Tourism has been affected by a decline in the number of Arab tourists (a phenomenon which had started before the boycott) and its earnings may be down slightly to \$750m.

3—The Baghdad summit specifically ruled out action against Egyptian workers, but it is expected so far that remittances will be down only slightly on 1978's figure of \$1.7bn.

BALANCE OF PAYMENTS

Table with columns for 1978, 1979, and Adjusted projection. Rows include Visibles, Exports, Imports, Trade balance, Invisibles, Receipts, Payments, Balance, Transfers, Capital flows, Debt repayments, Net capital inflows, Overall surplus.

Source: Ministry of Economy and Economic Co-operation

Starting Most of its conclusions were startling. They were, first, that as a result of the boycott, imports from Arab countries would fall by 2 per cent and exports by 12 per cent.

4—Oil income is expected to be slightly up and to reach in net terms about \$0.85bn. 5—Aid and investment. Private Arab investment is hard to quantify and is so far unlikely to have affected projects already in existence; however, the urban housing and tourism sectors could be affected.

6—Deposits. The terms of the Suez and Kuwaiti deposits differ but under the terms of agreement reached in 1977 all parties agreed that the deposits would be rolled over and not withdrawn.

GROSS DOMESTIC PRODUCT AT CONSTANT PRICES BY SECTOR, 1975-78

Table with columns for 1975, 1976, Prelim. 1977, and Prof. 1978. Rows include Commodity sectors, Agriculture, Industry and mining, Petroleum, Electricity, Construction, Distribution sectors, Transportation, communication and storage, Trade and finance, Service sector, Housing, Public utilities, Other services, GDP at factor cost.

Source: Ministry of Planning

7—Trade. This is likely to be commodity aid to ensure maximum disbursement. A more recent World Bank assessment of the foreign exchange shortfall puts the "worst" case impact in 1980 at \$2.9bn and the "more likely" case at \$755m.

8—Aid. It is here that the greatest controversy exists. Egypt's demand for \$18.5bn is particularly ambitious as it is reckoned that the economy is unlikely to be able to absorb ultimately on the rate of growth of the economy and the balance between commodity imports and the absorption of project aid.

But in spite of the opposition of the IMF which has apparently given up the unequal struggle for this year although it will be deeply involved in the autumn in the formulation of the 1980 budget, Ministers despair of being able to reduce these subsidies next year and talk merely of "rationalising" them.

Deficit

The net effect of this estimate is that Egypt's balance of payments is likely to deteriorate but not nearly to the extent to which the Economy Ministry has forecast. At present it is reckoned that the deficit will reach between \$1.5bn and \$2bn this year and remain at \$2bn for 1980 and 1981.

On the domestic side the picture is gloomier, for it is here that Mr. Sadat in the end stands or falls. The link between the external and internal economies of Egypt lies in the sensitive question of subsidies. These were mainly set up by Nasser with plausible social objectives in mind but have subsequently taken on a controversial political and economic life of their own.

But according to other sources volume 7, which is supposed to contain all the solutions, is likely to be little more than a characteristic submission by all the Ministries despatched by subsidies as to how they see their priorities. Little overall guidance is likely to be given.

It must be said though that Egypt has carried out from the beginning of this year one of the IMF's conditions by unifying the exchange rate of the Egyptian pound by moving it from the official to the more realistic parallel rate against the dollar.

Anthony McDermott



In Cairo, the talk of the town now takes to the air.

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EGYPT IV

Foreign policy

Ambitious objectives

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EGYPT'S FOREIGN policy objectives under President Anwar Sadat can be roughly divided into six closely interlinked categories...

In the President's mind none of these objectives are mutually exclusive and, despite recent policy setbacks, he clearly believes that it is only a matter of time before Egypt resumes its rightful position in the Arab world...

As one of Mr. Sadat's former aides points out, one should not

listen to the President's words but try to discern his ultimate objectives. It can be argued that relatively early in his presidency, Mr. Sadat decided that for his country's economic welfare, peace had to be achieved with Israel...

However, in the years since oil was \$3 a barrel political weight in the Middle East has become more evenly dispersed, and countries over which President Nasser could exercise his charismatic power are far less amenable to the blandishments of Mr. Sadat...

Switch

This coincided with Mr. Sadat's more determined switch to close alliance with the United States, which he saw as the one country which had the wealth, arms and technology to lift Egypt out of its downward slide...

The Arab summit meeting in Baghdad last November, at which Saudi Arabia declined to play its more normal moderating role, should have provided evidence for President Jimmy

Carter and Mr. Sadat that the Camp David accords which laid the framework for the subsequent peace treaty fell far short of Arab demands...

If any further confirmation was needed King Hussein of Jordan—that most accurate of all Middle Eastern weather vane—came out strongly against Camp David and refused to accept the role that the U.S. and Egypt had selected for him...

In their persistent search for an easing of Arab attitudes, Egyptian officials claim that the last Arab League meeting in Tunis saw a more sympathetic Saudi Arabian attitude towards Egypt. Efforts by the "refectionist" states to discuss further measures against Egypt were forestalled...

least so long as Mr. Sadat remains president.

This, however, presumes a consistency of policy which is not one of the hallmarks of the Arab world. Should Israel prove intolerably obstinate over making any concessions on Palestinian autonomy...

Until that happens Mr. Sadat's room for manoeuvre in the Arab world appears heavily circumscribed, although he may hope that internal tensions among his more vigorous opponents, such as Syria and Iraq, could divert their attention away from Egypt...

Mr. Sadat is also keeping a close eye on the Libyan border near which he has two army divisions stationed, ready if necessary to teach the "mad Libyan boy"—as he describes Col. Muammar Gaddafi—a sharp lesson...

Mr. Sadat would view with particular alarm any change of regime in Sudan, and there is some evidence that Iraq in particular has considered that one of the most effective ways of attacking Egypt would be through change in Khartoum...

Mr. Sadat would view with particular alarm any change of regime in Sudan, and there is some evidence that Iraq in particular has considered that one of the most effective ways of attacking Egypt would be through change in Khartoum...

Consistent

The one really consistent element in Mr. Sadat's foreign policy has therefore to be the U.S., which alone at the moment can provide Egypt with the substantial economic aid that it needs plus military hardware to keep the senior officers happy and boost the morale of all the potential for imposing on Israel the need to implement by UN resolutions...

Western Europe and Japan meanwhile may have their doubts about Mr. Carter's policies, are looking anxiously towards securing their oil supplies and must be wary of becoming too closely identified with President Sadat...

Roger Matthews

Aid

Few good projects

PRESIDENT SADAT'S skill at raising foreign aid must be reckoned one of his outstanding qualities. Throughout his term in office the President has succeeded in finding the external finance, first from the Arabs and now from the western democracies...

Of late, Mr. Sadat has encountered much criticism from many quarters for provoking the cut-off of Arab funds to Egypt. But from another perspective, his coming to terms with Israel was a shrewd move that strengthened his claim on massive long-term development assistance from the U.S. Agency for International Development (USAID)...

With a \$1bn allocation for fiscal 1979, the U.S. is running the largest and most far-reaching aid programme in Egypt. It contributes half the country's regular annual inflow of aid. USAID's activities involve almost every sector of the Egyptian economy except the military...

The U.S. is spending heavily on Egyptian industry and infrastructure. The U.S. Egyptian project pipeline will approach \$1.5bn by the end of this year. Areas of concentration include water, sewage, telecommunications, power, grain storage, ports and cement production...

USAID is also making strides in the field of investment banking for the private sector. Before USAID's involvement almost no medium term bank funds for private companies existed in Egypt. USAID has spent \$32m on capitalisation and technical assistance for the Development Industrial Bank...

Strides

USAID is also making strides in the field of investment banking for the private sector. Before USAID's involvement almost no medium term bank funds for private companies existed in Egypt. USAID has spent \$32m on capitalisation and technical assistance for the Development Industrial Bank...

USAID is also innovating in the housing finance field. A planned new town in the desert near the industrial city of Helwan will offer factory workers "the first low-cost mortgage loans in Egypt."

USAID's contribution to Egyptian agriculture has so far been modest. But this year the agency plans to commit \$100m toward President Sadat's cherished goal of increasing food production. Stress will go on rural credit programmes, co-operatives and mechanisation. Director Brown anticipates that USAID will enter the land reclamation field in 1980...

In one of its most important functions, the World Bank has on occasion drawn attention to the commercial viability of Egyptian projects and thus helped to attract other lenders. The bank played this type of role in raising funds for the \$595m first stage of the Suez Canal deepening and widening scheme...

As is implied by the letter circulated to participants in the Tokyo summit seeking \$18.5bn external financing between 1979 and 1982 the Egyptian Government is disappointed with the \$300m award it obtained from President Carter for concluding peace with Israel...

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EGYPT V

Foreign investment

Impossible targets

A GOOD way to gauge how Egypt's Open Door policy is faring is to drive from Cairo to Alexandria on the desert road. A year ago, the new industrial estates of Al-Ameriyah behind Alexandria was scrubland. Today it is dotted with enclosures where companies have bought land. But apart from a spanking new carpet factory, there are few signs of construction behind the neat brick walls.

This vividly illustrates the current state of play: everyone staking out their ground, jostling to obtain their licences, but waiting. The latest General Authority for Arab and Foreign Investment (GAAFI) brochure tells a slightly different story. At the end of last year, the authority had sanctioned \$2.5bn (£2.76bn) worth of investment projects, of which about 16 per cent are producing and another 56 per cent are under construction.

As the projects are lumped together in categories there is no way of checking. But some statistics from the other side of the fence make salutary reading. Total private U.S. investment in Egypt to date is a meagre \$18m, and the figures from other Western countries make hardly more encouraging reading. The bulk of the private foreign money to find its way into Egypt has been Arab money, and the major part of Western capital involvement is through management joint ventures.

The Open Door Policy is thus still a long way short of achieving its principle aim of marrying Western expertise with Arab cash to produce jobs in sufficient numbers for Egypt's growing population.

Implementation of the policy has suffered from two major handicaps: first, its ambiguity in the foreign policy and political requirements; and second, initial misconceptions as to what an open door policy should do and what it entailed. It took eight years for Brazil's open door policy to produce any visible results, yet Egypt was intended to cross the threshold to prosperity by 1980, barely 20 years after Investment Law 23 of 1974, amended by Law 32 of 1977, which incorporated the open door policy, were on the statute books. This clearly is an impossible target, yet the same lack of professionalism that produced this unrealistic optimism is still prevalent in the initial contacts of too many potential investors with Egyptian life.

Unfortunate

This is doubly unfortunate because it disguises important grass roots changes of far greater long-term significance.

For example, in place of the big prestige projects, which were to have formed the backbone of the private sector development, there has been a slow but steady build up of small-scale ventures, financed by either private Egyptian or Arab capital. The joint venture banks have played a role in financing these projects. A good example is the Cairo Beverages Company, which bottles "Seven Up" under licence. It recently raised money on the domestic market to expand production.

With the foreign exchange situation eased about a year ago as a result of the large inflows of workers' remittances, the very viable foreign joint ventures were those using readily produced raw materials. People of aluminium extrusion joint ventures were set up in the aluminium smelter at the Hamadi complex in West Egypt.

Exceptions to this rule were banking and financial services sector—about 70 banks are some presence in Cairo—and hotel construction, which has been the main impetus behind a construction boom since currently over 8,000 and five star hotel rooms are built in Cairo involving a total investment of nearly \$1.5bn.

The Gulf and Saudi Arabia is providing the bulk of the finance for these hotel projects, either through Arab investment institutions or the offshore banks operating in Cairo. The hotel construction

ANNUAL INVESTMENTS THROUGH THE FIVE YEAR PLAN 1979-1983 (E£'000)

Year	Public		Private		Total national	
	Total	Foreign	Total	Foreign	Total	Foreign
1978*	2,241	1,232	259†	189	2,500	1,421
1979	2,560	1,320	250	180	2,810	1,450
1980	3,150	1,750	310	360	4,070	2,110
1981	3,470	1,910	1,020	395	4,490	2,305
1982	3,850	2,030	1,120	425	4,970	2,455
1983	4,180	2,200	1,240	465	5,420	2,665
General total	17,220	9,210	4,540	1,775	21,760	10,985

* 1978 represents the actual following up. † The private sector investments do not include about E£140m for the petroleum exploration. Source: Ministry of Economy and Economic Co-operation.

boom has offered management joint venture opportunities for such international hotel groups as Marriott, Sheraton, Hilton and Holiday Inn.

The spillover into general construction has produced a spate of management or technical transfer joint ventures also. A typical example is that between Acrow and the private sector company of the Arab world's largest contractors, Arab Contractors, to manufacture metal scaffolding. Most of the construction joint ventures have been until recently with affiliates of Arab Contractors.

Drugs

Another exception to the general rule are drugs and pharmaceuticals joint ventures. Hoechst and Pfizer have operated joint ventures in Egypt from the early 1960s right through the Nasser era, and E. R. Squibb has recently set up an offshore venture to manufacture drugs.

The development of industrial joint ventures has naturally been slower and limited to products where the markets are relatively well-defined and where there is some expert potential. Wilkinson Match's joint venture with the public sector Alexandria Metal Pipes Company is one such example. Union Carbide's plans to build a \$15m dry battery plant is another. In contrast to Wilkinson, which is putting up 51 per cent of the equity for its joint venture, Union Carbide is providing 75 per cent, the remainder being taken by private Egyptian interests. Another success story is a \$95m synthetic textile plant at Suez, promoted by Misr Iron Development Bank, which is to go into production later this year.

Obtaining a licence tax for a purely private sector manufacturing joint venture is becoming more difficult, especially where it treads on public sector interests. To appease public sector opponents of the open door policy, GAAFI encourages joint ventures with public sector companies with a view to modernising them. This often proves more difficult than it seems, as British Chloride, for instance, is finding, because of differences over manning levels. British Chloride is negotiating to set up a wet cell battery plant with a public sector company.

A major area for development, and one the authorities are encouraging is agricultural and agro-industrial joint ventures. As with the joint ventures situated in the new cities, these enjoy a 12-year tax holiday.

The Egyptian authorities are hoping the U.S. will take the lead in this field, although West Germany has also shown interest. New projects will have to be on reclaimed land, and the areas of commercially reclaimable lands are limited. The sums of money involved are also much bigger than the \$5-\$15m joint venture, currently the maximum size and the return much slower.

Most of the larger joint ventures are either stalled or being quietly dropped. An exception is Coca-Cola's plant to develop a \$50m citrus fruit farm at Ismailia. The quid pro quo is that Coca-Cola is soon to be marketed in Egypt.

Ford's \$145m project to re-establish its Alexandria truck engine factory, halted 18 months

ago as the project to break the ice, has got nowhere. Now that Egypt no longer has the Israel boycott removal card to play, new investment has become less attractive. Arab funds, which were to make up about one-third of the capital, have not materialised. Ford will now content itself on reopening the truck assembly plant. Massey Ferguson's \$20m tractor assembly plant has run into internal company financing problems, and its main Arab backer has moved out of Cairo in response to the boycott, while Michelin's \$70m radial tyre plant, having slipped into second gear late last year, now appears to be back in neutral.

The most serious large-scale project at present is Volkswagen's to build a \$30m "Beetle" assembly plant in Alexandria. It is looking for a joint venture partner and is keen to make further investments in Egypt, depending on how the plant develops. Fiat's joint venture with the public sector Nasco car company to assemble cars could well see production stepped up in response to local demand. Car accessory manufacturers, as well as household appliance manufacturers have possibilities.

But GAAFI officials are caught in a dilemma by the investment confidence process. They have threatened to cancel licences where no move is made and Goodyear has lost its licence. But with virtually all medium to large-scale investment panging to assess the impact of the Baghdad resolutions and progress at the peace talks, there are limits to the threats and handshakes GAAFI can wield. The lack of visible results weakens their hand against public sector interests when trying to push through vital economic reform.

They also have to contend with an unfortunate image of a certain type of Egyptian businessman abroad. One consumer product manufacturer with extensive experience of the Third World recounts the tale of being approached by an elder member of the People's Assembly, a personal friend of Sadat's ("licences will be no problem") to set up a joint venture. After two exhaustive trips involving much eating and entertaining, the sum total of his investigations was a feasibility study consisting of two grating pieces of stapled paper.

He probably will not pursue the contacts with this partner because he envisages a situation where he will put up half the cash and do all the work. But he will keep his tabs on Egypt until the right partner materialises, because he feels the market is there.

It is at this point that GAAFI can help. Dr. Gamal al-Nazer, chief executive Minister of State for Economic Co-operation, is well aware of the damage these unfortunate initial contacts can do, and can only exhort potential investors to contact directly the commercial section of the nearest Egyptian embassy or GAAFI's headquarters at 8 Adli Street, Cairo.

There have been great improvements in the way GAAFI processes applications. The conflict of departmental interests and of policy which created confusions and not to say debacle—at least in the form of the Pyramids Oasis real

estate development project, which was cancelled last summer, and the over ambitious \$1.2bn dollar textile complex at Al-Ameriyah—should now be things of the past. The Supreme Investment Council adjudicates in all cases involving policy which cut across ministerial lines. Western embassies are now receiving, unsolicited, suggestions for joint venture projects—a major improvement. While from their side they say interest in Egypt has never been greater.

GAAFI's legal bureau should be able to determine the best kind of presence the potential investor needs, whether offshore or inland, or direct him to competent advisers. Apart from warehousing in Port Said, the free zone concept has not been oversuccessful.

Despite these encouraging developments, the process is running against a timescale that could still nip it in the bud. If the Middle East was on the threshold of stability, the Arab boycott a bad dream, and a radical reform of institutions begun, then one could say that the groundwork had been done and there was a fighting chance of it succeeding. But in the present climate of uncertainty the odds are not good.

Alan Mackie

هكمان النحل



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The pipeline system starts with a receiving terminal owned and operated by Sumed on the Red Sea (Sukhna) coast. The pipelines extend inland 320 KM and end with a loading terminal at Sidi Kerir. The pipelines capacity is 80 MTA (million tons per year). Planned expansion will provide 117 MTA. The pipeline system is designed to handle types of crude oil, with sufficient segregation to minimise comingling or contamination. The first trial test of the pipeline system started on December 14, 1976 at Ain Sokhna terminal which received the first shipment of one million tons of light Arab crude oil. The first tanker loaded at Sidi Kerir and departed in January 1977. This operation, which initiated the pipelines system, established the quality control and the high efficiency by which the Company has been operating ever since.

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Projects

CONTINUED FROM PREVIOUS PAGE

government's project development work for it. The inherent danger in the size of USAID that pressure to spend so much money will push projects ahead with insufficient Egyptian participation. This would undermine the whole purpose of the programme, which is the development of domestic, specifically human resources.

The West German programme moves the World Bank's in agreement with a 1979 agreement of DM 250m. Commodity export comprises DM 75m. The remaining DM 175m will go for project assistance. The West German plan to spend \$50m in the power sector

and another DM 50m on additions to the Abu Kir fertiliser plant. German officials claim that their aid is not tied, but many of their contracts wind up with German companies.

France signed a FF 408.5m protocol with Egypt this spring; 32 per cent is in soft Treasury loans with the remaining 68 per cent guaranteed commercial loans. Envisioned French projects include the first stage of the long awaited Cairo Metro. Japan has also shown some interest in the Metro. So far it has devoted most of its aid efforts to the Suez Canal project, but Japanese consultants are studying the feasibility of setting up a steel plant at

Dikhaila, west of Alexandria. Another Japanese team is searching for projects around Lake Nasser behind the Arwan High Dam.

Following the election of new conservative governments, the future of both the British and Canadian aid programmes for Egypt is uncertain. Britain has committed itself to \$50m financing for the giant Cairo sewage overhaul, to which USAID has also agreed to contribute \$100m. Canada's Egypt aid level for 1979 will be C\$35m. Most will go for purchase of Canadian railway locomotives.

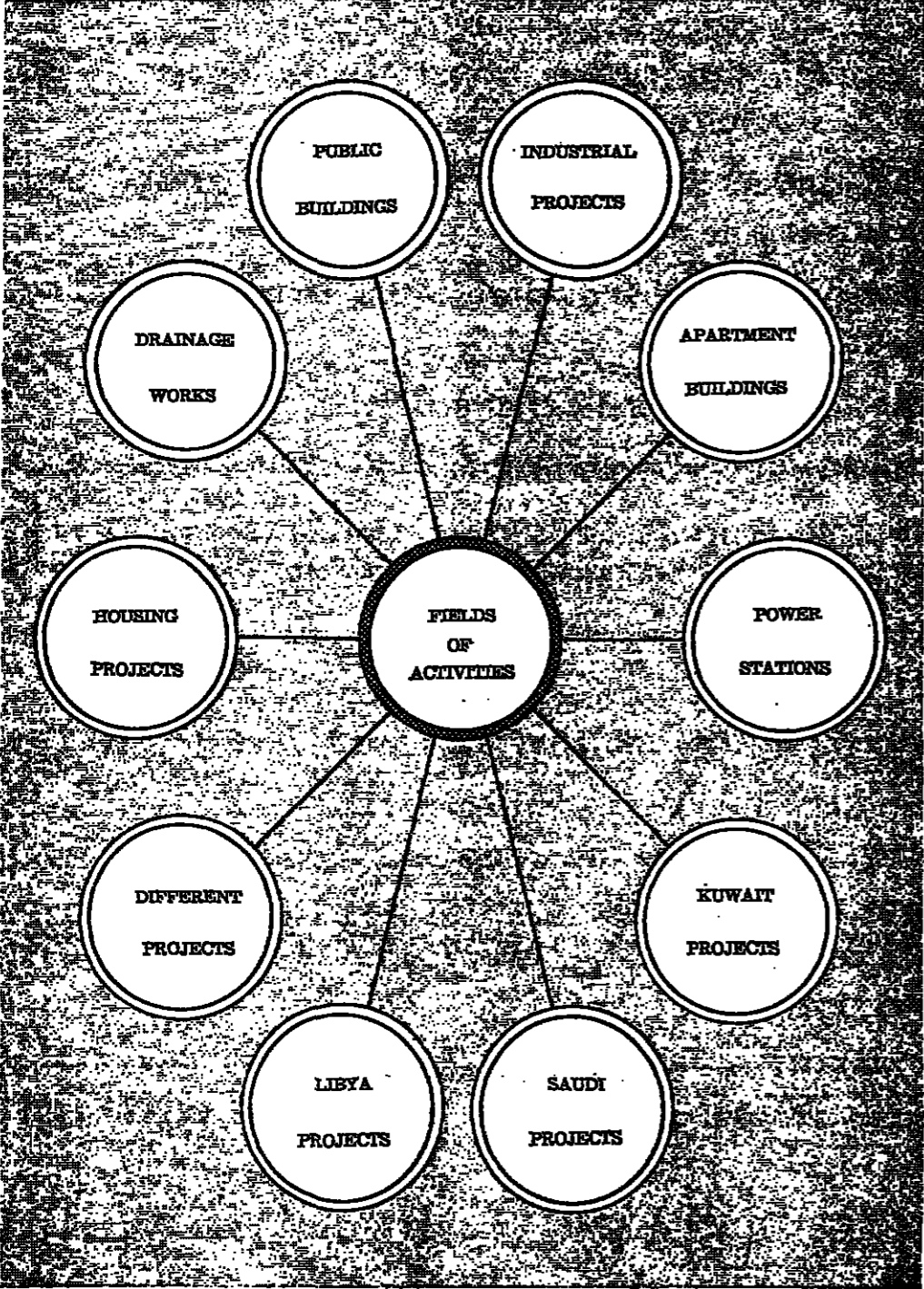
Stanley Reed

EGYPT VI

Sinai

Ambitious dream

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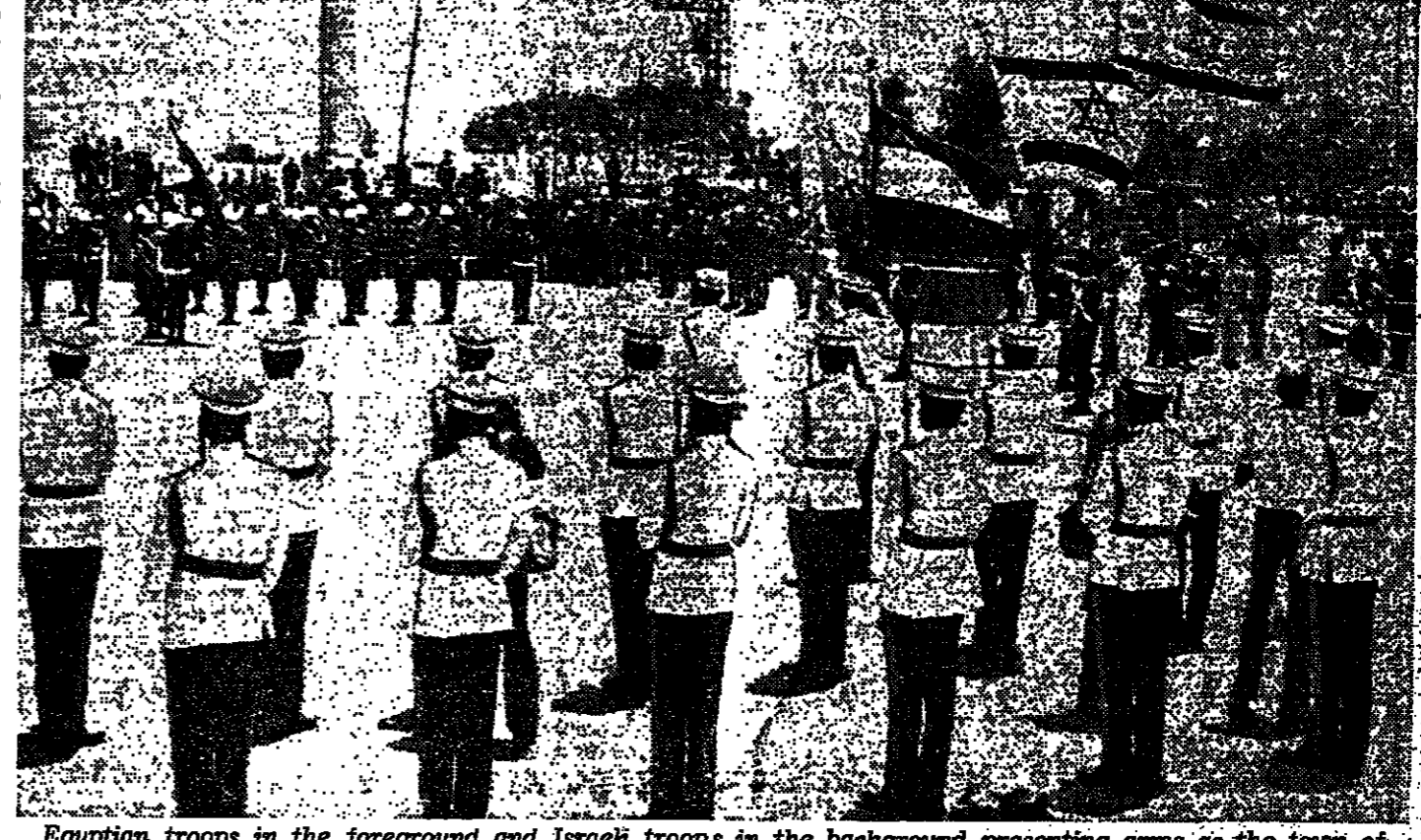
ON MAY 26, President Sadat, resplendent in a white admiral's uniform, raised the Egyptian flag over el Arish, the scruffy provincial capital of the Sinai Peninsula. According to official rhetoric, Mr. Sadat's ritual heralded the opening of a new frontier of vast potential wealth. Before it was occupied by Israel during the 1967 war, Sinai was a neglected area, with only a tenuous connection to the rest of Egypt. But now, with Israel set to return the entire peninsula within three years, it is being billed by officials and the Cairo Press as the solution to Egypt's problems of overcrowding and poor natural resources. But in practice, it seems very likely that the development of Sinai will turn out to be both an economic and political burden. Perhaps the most ambitious dream being discussed envisages settling 2m Egyptians in Sinai's 23,800 square miles of barren sand and rocks by the year 2000. To feed these people the Ministry of Irrigation expects to cut a canal from the east branch of the Nile all the way to Sinai. The new channel would plunge beneath the Suez Canal and emerge on the other side to water 400,000 acres of reclaimed desert. A scheme to enlarge the existing Ismailia Sweet-Water Canal would nourish another 800,000 acres. These are heady predictions, but plans for Sinai's actual development are going ahead at a sober pace. The Ministry of Development and New Communities will soon choose a consultant to perform a USAID-financed survey of Sinai's potential. USAID has a \$2.5m dollar budget for Sinai studies. The consultant will be instructed to identify feasible projects in mining, agriculture, transport, tourism and infrastructure. Early population settlements will be emphasised. Just who will pay for these projects is not yet clear. USAID appears willing to fund the rehabilitation of a manganese mine near the Gulf of Suez at Abu Zenima that was put out of action by the Israeli occupation. Leaving aside petroleum production (discussed elsewhere in this survey) hope for commercially feasible activities centres on tourism and mining. The Government plans to draw American and European visitors to the peninsula's spectacular beaches. The religious sites around Mt. St. Catherine, which is the habitat of the rare Sinai

leopard, also promise to be an attraction. Lake Bardawil, an estuary on the north coast, is internationally famed for its bird life. Marriott is reported to have agreed to build a \$5m 150-room prefabricated hotel near el Arish. At the moment, the capital's only inn is a cramped shabby place where strangers often have to share rooms. In the mining sector, copper, uranium, lead phosphates, sulphur and strontium are all considered by the Ministry of Development to "deserve exploration." Before the war, kaolin was produced from the Sinai for the porcelain industry. A mountain of almost solid gypsum rises near the Gulf of Suez. Sinai is Egypt's best source of quality glass sand. The peninsula has considerable coal reserves, but they are mostly of low-grade sub-bituminous varieties. Some experts doubt the economic viability of Sinai land reclamation. They point out that reclaiming desert along the edges of the Nile Delta is likely to prove cheaper. A possible

exception is the Wadi el Arish, an area on the north coast which receives some rainfall. The Egyptian Government plans to profit from the agricultural development begun by the settlements: the Israelis are required to abandon under terms of the peace treaty. But Egyptian funds so far, it is discovered that the embittered settlers had blocked wells and damaged the drip irrigation system, perhaps beyond repair. Because of the high cost promised by rugged terrain and inaccessibility, USAID, Egypt's major source of development funds, is wary of becoming heavily involved in Sinai. "Almost anything you do in Sinai will cost you more than elsewhere," said one USAID official. "In the short-term we are looking to the private voluntary organisations," said Mr. Donald Brown, the USAID-Egypt director. At present Sinai looks more like a political headache than a boon for the Egyptian Government. The Israeli pullout

disrupted light industry in el Arish, leaving high unemployment among the population of 35,900. The Egyptians, eager to allow labourers to continue an exchange programme pegged to London Stock Exchange rates. Another problem is Sinai's remoteness from Egypt. While the peninsula has relatively good roads and airfields, the only overland connections to the Egyptian heartland are a few pontoon bridges and ferry crossings on the Suez Canal. Canal shipping restricts use of these to a few hours a day. To improve access to Sinai the Egyptian Government plans to construct a number of bridges and tunnels to connect the two banks of the Suez Canal. The \$70m Akmed Hamdi bridge near Suez is being built by a consortium of Farnic (UK) and The Arab Contractors. It is scheduled for completion by the end of next year. The Government is giving serious consideration to a tunnel or bridge for Qantara near Ismailia.

Smuggling is rampant across the borders. Only £15m of an estimated £100m in circulation in el Arish before May 28 has been turned in to the Egyptian authorities. Egyptian banks are continuing an exchange programme pegged to London Stock Exchange rates. Another problem is Sinai's remoteness from Egypt. While the peninsula has relatively good roads and airfields, the only overland connections to the Egyptian heartland are a few pontoon bridges and ferry crossings on the Suez Canal. Canal shipping restricts use of these to a few hours a day. To improve access to Sinai the Egyptian Government plans to construct a number of bridges and tunnels to connect the two banks of the Suez Canal. The \$70m Akmed Hamdi bridge near Suez is being built by a consortium of Farnic (UK) and The Arab Contractors. It is scheduled for completion by the end of next year. The Government is giving serious consideration to a tunnel or bridge for Qantara near Ismailia.



Egyptian troops in the foreground and Israeli troops in the background presenting arms as the town of El Arish was returned to Egypt in May

Relations with Israel

Little more to give

THE MOST important, positive aspect of Egyptian-Israeli relations today is the determination shown by both sides not to allow the vast differences that still separate them, over the future of the Palestinians, in particular, to negate the achievement of March 26 when the peace treaty was signed in Washington. This was amply demonstrated in Alexandria earlier this month when President Anwar Sadat and Mr. Menahem Begin, Israel's Prime Minister, failed to make any significant progress on the most contentious ideological issues but, by merely being together without coming to blows, helped to demonstrate that, little by little, relations between the two countries were being put on to a normal footing. The agreement by Mr. Sadat to visit Haifa towards the end of August for another round of talks offers further evidence of continuity and is considered as a positive sign by the Israelis. However, Israeli enthusiasm at the success of this step-by-step policy of normalisation—with each side perhaps making small peripheral concessions—cannot disguise the fact that Mr. Sadat now has very little more to give on the Palestinian question, and that each additional move he makes to satisfy Israeli demands further exposes the bilateral nature of the peace treaty. While Mr. Sadat bravely states that he "wants to see what Egypt can achieve without the Arab world, and what the Arab world can achieve without Egypt." He is nonetheless committed to trying to make the peace treaty cornerstones for a comprehensive Middle East settlement and, according to his aides, has not deviated from his belief that this cannot be achieved without a fair and just solution for the Palestinians. Mr. Sadat's approach to the Israelis, as he often asserts, is heavily psychological. By going to them as "reasonable men," albeit overly conditioned to the state of war they have been in since the establishment of the Jewish State, Mr. Sadat thinks that Israeli society will eventually be convinced both of the justice of the Palestinian cause and that the only way for them to have a longer-term future in the Middle East, not based solely on military power, is by

getting out of occupied Arab land. To the casual observer this policy may so far look hopelessly wrong. At least judging from the benefits that accrue to either side. Egypt gains from the treaty an end to the state of war and the eventual return of all Sinai, including Jewish settlements, oilfields and other potential mineral wealth. At the same time, it has lost the strength and economic benefits that derive from being an active part in the Arab world. Israel has gained what it has most ardently desired, peace with its largest Arab neighbour and the incalculable relief of probably not having to fight another war on two fronts. More than peace Israel also gains the right to full economic, trade and cultural links with Egypt (a market of over 40m people), the use of the Suez Canal, the permanent limitation of Egyptian military deployment in Sinai and, more ambiguously, the right of the treaty to take precedence over other Egyptian obligations. And all this has been done without any suggestion that Israel will agree to restore Arab sovereignty in the West Bank, Gaza Strip or Golan Heights. Instead what Israel offers to the 1.2m Arab inhabitants of the West Bank and Gaza is a limited form of self-rule but nothing that might be considered as leading to the creation of a separate Palestinian state. For Mr. Begin and his adherents the West Bank (or Judea and Samaria as they call it) is part of the promised biblical land of Israel. Mr. Eilahu Ben Elissar, the director of the Prime Minister's office once explained that his country was making a "very great sacrifice" by failing to exercise sovereignty over it. Against such ideological and religious conviction Mr. Sadat can at best hope to make only very limited progress. His tenacity in sticking to his insistence on full autonomy for the Palestinians must to an extent be based on the possibility that Mr. Begin's Government will eventually be replaced by one that considers the West Bank to be primarily a security issue. In the shorter term Mr. Sadat has to rely almost exclusively on the Americans who are a full partner in the Palestinian negotiations. After four rounds of negotiations,

alternating on a fortnightly basis between Strauss and Mr. Robert Strauss, the chief U.S. representative, claimed a "breakthrough." This was that after many hours' sterile bargaining over an agenda it was agreed that two working committees should be set up—

one to discuss elections to a Palestinian self-rule authority and the other to discuss the actual powers that the authority would exercise. Other related issues, which should include Arab East Jerusalem (annexed by Israel after the 1967 war), could be dealt with by a third working group as and when considered necessary. Egyptian optimists point to the rather similar halting progress towards the peace treaty that followed Mr. Sadat's visit to Jerusalem in November 1977.

CONTINUED ON NEXT PAGE

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EGYPT VIII

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Figures in millions of Egyptian pounds for the years 1977 and 1978:

Table with 3 columns: Item, 1977, 1978. Rows include Capital and Provisions, Deposits, Loans, Total footing, Contingent liabilities, Net profit.

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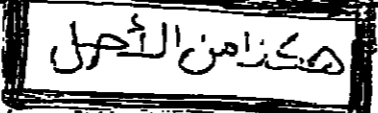
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TO HAVE been for more than three years a new exporter of oil has been welcomed and much needed boon to Egypt. And whatever its other economic problems, Egypt's oil sector has proved to be second only to the Suez Canal Authority in its competence.

Its contributions to the economy are simple to list. It is now the country's largest source of foreign currency and provides 40 per cent of exports. Its proportion of the GDP has risen from 3.1 per cent in 1975 to 6.1 per cent in 1978. It became a net earner in 1976, with a surplus of \$380m. Last year this had risen to \$700m and this year, subject to some extent in prices, between \$800m and \$900m net. In global terms its reserves are small, estimated in 1979 at 356.2m tons.

Predictably oil has become something of a gesture of political determination, particularly in the face of the Arab boycott. But even before that, President Sadat used regularly to make two claims: that by 1980 there would be earnings of \$1bn and production would reach 1m barrels a day. The former is realistic, and the latter not; nevertheless, the contribution to the economy which oil now and gas in the future will make are substantial.

former case, of the Asal Sider and Felan fields, and in the latter case, the Tur, Ras Gabbara, Alama and Ras Muhammad fields—producing between them over 30,000 b/d. Even if a temporary plateau appears to have been reached in production, the expansion of Egypt's production remains impressive.

Where does this now leave the cherished 1m b/d target? Mr. Izzeddin Hill, the Petroleum Minister, said in January that the figure would not now be met until 1982. Officials of the Ministry and EGPC and foreign oil companies agree that there is no reason why two, or three more fields of the size of July or Ramadan—perhaps in the adjacent South Belayim field—should not be found in the next year or two to bring this target close. (Drilling costs in this area are quite high at about \$60m a well.)

In addition, they argue that the Western Desert's "deposition basin" (the surface area multiplied by the average depth in which oil might be found) is infinitely larger than that of the Gulf of Suez, similar in geophysical make-up to Eastern Libya, and by comparison underexplored—and that therefore it should yield substantial oil finds.

While there is general agreement that more finds will be made, this view is qualified, because of geophysical problems which make even modern seismic techniques more than usually cautious. Finally the point is made that there is inevitably a time lag between discovery and production. Thus though 1982 remains the official target, unofficially 1984 is reckoned to be a more realistic date.

During 1978, nine oil strikes were made—seven in the Gulf of Suez, and one each in the Western and Eastern Deserts. (Elf-Aquitaine also made what may be Egypt's largest natural gas find 50 km offshore north-east of Alexandria.)

The most important oil find was by a consortium headed by Deminor, and including Shell Mex and BP, offshore in the Gulf of Suez 4 km from the north east coast of Sinai. Oil flowed initially at the rate of 4,700 b/d and production could reach 100,000 b/d. A decision to start production initially at 10,000 b/d is expected shortly,

Oil

Risk of over-production

and whether it is the important decision whether to invest at least \$100m in providing onshore facilities, which are absent in that area. For the more onshore facilities are developed around the Gulf to complement the installed handling capacity at Ras Shuqair of about 500,000 b/d, the more feasible the development of marginal finds will become.

For the future, Egypt sets small store by its production sharing agreements with foreign oil companies. Since the Ministry of Petroleum was set up, separately from the Ministry of Industry, 55 agreements, now all of the "production sharing" type, have been concluded. These involve the commitment of \$1.1bn expendi-

ture on exploration and development over a total area of 663,000 sq km (or two-thirds of Egypt's whole land mass), with signature bonuses totalling about \$111m.

The most recent and significant agreements have been an agreement with Shell willing to spend \$83m on the second largest concession ever awarded in Egypt, 25,972 sq km in the Western Desert, two small concessions to Comoco and Shell in Southern Sinai, while still under Israeli occupation, and on July 15 a 400 sq km concession to CEE (Total) at the northern end of the Gulf of Suez. In the coming months four other agreements—involving commitments totalling up to \$100m—with Houston Oil and

So long as the workers' remittances continue to supply the market's foreign exchange requirement, there seems nothing to stop the development of more sophisticated financial mechanisms. But these developments will be geared by the requirements of the local market. Cairo is unlikely to become another Beirut of the 1980s. But a weakening currency and the re-emergence of a black market could jeopardise these developments. It is here that the Arab boycott, coupled with an inability to implement politically difficult economic and financial reforms, could really hurt.

Continued on next page.

BANQUE DU CAIRE advertisement: Head Office: 22 Adly Street, Cairo, A.R.E. has been awarded "The GOLD MERCURY INTERNATIONAL AWARD IN 1978". Includes list of joint ventures like CAIRO AMMAN BANK, CAIRO BARCLAYS INTERNATIONAL BANK, etc.

Vertical text on the right edge of the page, including the word 'Risk' and various fragments of text.

EGYPT IX

Industry

Changing strategy

IN YET another attempt to rationalise Egypt's industry, Mr. Ibrahim Atallah, the minister responsible, recently announced his final reshaping into five main sectors. These are to be spinning, weaving and clothing, foodstuffs, metallurgical, and engineering, chemicals and mining.

These divisions are the logical parts into which this controversial and much criticised part of the economy falls. Industry, perhaps more than any other sector, has been exposed to the full range of dangers that a government has to tackle when trying to decide priorities on the basis of the limited resources. Industry in Egypt is both old and young. The first efforts were made under Mohammed Ali between 1820 and 1840, and grew directly out of the development of cotton.

In the modern sense, it began a century later, between the two world wars with the first moves towards import-substitution. But it has been plagued by inadequate manpower, distortions induced first by the British presence and then by four major wars with Israel, and finally by the governments of Presidents Nasser and Sadat changing their strategies over the relative roles of the public and private sectors.

Successive governments have been trying to decide whether to develop industries whose export competitiveness is inhibited by protective and efficiency-inducing tariffs, whether to develop heavy industry so as to enrich the experience of the workforce in the full knowledge that the steel produced and the cars assembled are likely to be uncompetitive in price, whether, having given the public sector a fair run-in which to become established, to offset its inherent inefficiencies, its overplanning and weak management, by stimulating the private sector to provide competition and take over some of its operations.

With the growing decline of agriculture in its contribution to the GDP, industry's proportion of 17 per cent has been gaining in importance. It has been able to expand, in particular after 1976, as the greater inflow of foreign currency permitted the partial reactivation of idle capacity. At constant prices, its annual growth rate has been in the region of 8 per cent over the last few years, and its proportion of gross fixed investment has risen from 21.9 per cent in 1975 to 29 per cent (E232.4m out of E777bn) in 1977. Under the terms of the former 1978-82 development plan, its share of investment was to have been 20.7 per cent, the largest single allocation to one sector. Industry provides jobs for about 700,000 people or about 12 per cent of the workforce of around 6m.

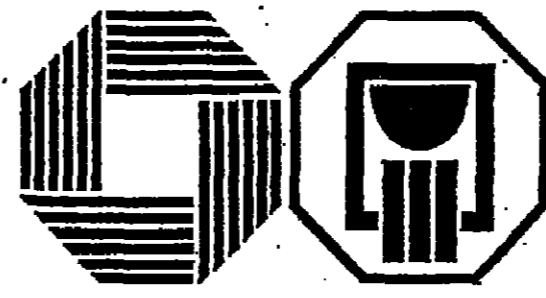
Industry, like other parts of the economy, has been subject to official flights of fantasy when long-term investment has been considered. For example, when President Sadat unveiled his so-called Carter Plan for

Table with 6 columns: Year (1974-1978), Jan-Sept, and rows for various industrial sectors like Spinning and weaving products, Foodstuffs, Chemicals, etc.

the resuscitation of the economy, as much as \$12.3bn was to be earmarked for industry, of which \$3.7bn was for spare parts and the remaining major part mainly for investment in existing projects, to modernise equipment, in nearly all industries but with particular emphasis on the spinning and weaving and mining sectors. A similar theme—emphasis on the completion of existing projects—emerges in the document submitted before the Tokyo summit, where E3.4bn (of which the private sector is to provide E2700m) is allocated to industry out of a total development plan for 1978-83 of E39.4bn.

In exports, industry suffered a setback in 1976, partly because of the cancellation of a number of bilateral arrangements as Egypt tried to direct its exports more towards convertible currency markets, where price competition is more intense. This redirection has continued and two thirds of new industrial goods are now destined for convertible currency countries compared with 30 per cent in 1974. At the same time, the process of shifting these exports from the official rate to the more realistic parallel exchange rate for the Egyptian pound (com-

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Risk

CONTINUED FROM PREVIOUS PAGE

Minerals, International Maritime of Switzerland and two with CIP are expected—all in the Gulf of Suez.

EGPC is soon to auction 17 concessions in Northern Sinai, both on and offshore, beside oil fields which were auctioned in 1977, soon after the second disengagement treaty with Israel made them available. Officials speak hopefully of Sinai's prospects but admit that much will depend on whether Israel will share information, otherwise seismic work will have to start virtually from scratch.

Under the agreement with EGPC foreign oil companies are made responsible for all prospecting and once oil is found, a part of production is earmarked for cost recovery. Usually the company commits itself to a minimum level of expenditure over a period which averages between seven and 12 years. If a commercial discovery is made, production is undertaken jointly with the Government, and expenditure on exploration, development and operations is recovered from the proceeds of between 20 and 40 per cent of oil production or actual costs. (Sixty per cent is now being offered to attract companies to the Western Desert). If actual expenditure exceeds this limit, the balance is transferred to subsequent periods. If it falls short the remainder is either shared between EGPC and the foreign partner or fully paid to EGPC. This portion is known as "host oil", the remaining "profit oil" is shared between the Government and the company on an agreed basis, usually between 75 and 87 per cent in favour of the Government.

While the Government is fully satisfied with this sort of arrangement under the impact of soaring oil prices, the companies are becoming less so, arguing that the incentive to keep costs down has been blunted, and that in any case

TRADE IN CRUDE PETROLEUM AND PETROLEUM PRODUCTS, 1974-78

Table with 7 columns: Year (1974-1978), First half 1978, and rows for Balance of trade, Crude petroleum, Petroleum products, etc.

production sharing is not the bargain it once was. The massive rise in oil prices and the inconsistency of the spot market has made precise calculation of Egypt's oil income difficult. At present oil is split in three different directions. About 40 per cent goes for local consumption. Thirty per cent goes to foreign companies as part payment for their agreements (a certain proportion is often sold back to the Government). Another 30 per cent—about 150,000 b/d—is thus left for export. All Egypt's available crude for 1979 was auctioned to some nine companies, mainly in Europe, last December, and their prices—often quantities as small as 5,000 b/d—have been changing almost on a daily basis. (Prices for crude for the agreement companies changes every quarter).

Thus Egypt, though not a member of OPEC (and now expelled from OPEC), has been taking advantage of the OPEC rises and asking (and often getting) \$26.50 a barrel for 26 degrees API Belayim crude, \$32.50 for lighter 32.7 degrees API Morgan crude, and \$24.50 for 22.50 degrees API Gharib crude. It is accepted that when normalisation in relations with Israel has taken place then oil will be available—but subject to the same terms as any other commercial bidder. But while Egypt has undoubtedly benefited from rises in oil prices, it has inevitably had to pay more for its products' imports—in the case of naphtha, something like \$400-a-ton, and this has cut into the net surplus that it had hoped to gain. In the longer term, considerable hopes are being placed on gas, whose reserves were estimated in 1979 at 71.4m tons. Natural gas production from the Abu Madi field in the delta and Abu Gharidiq and Abu Kir fields in the Western Desert is about 2m tons a year and is being used to fuel industry in the area. Associated gas in the Gulf of Suez is currently about 80 per cent flared off, but the Government is planning to build up the pipeline network to bring this gas both to indus-

trial zones around Suez and to Cairo. In the short and medium term Egypt is pinning its hopes on raising oil production on the Gulf of Suez. But there are doubts whether in the longer term it will be able to sustain the main burden of the increase towards 1m b/d. Thereafter, it will depend on the Western Desert and perhaps Sinai. But some disquiet is already being expressed at the fact that the policy for the past two and a half decades—that of exploiting reserves at the maximum rate possible to generate hard currency—is being pursued without sufficient thought for conservation. While a committee has been set up to study alternative sources of energy, some officials are wondering—even at a time when the pinch of the Arab boycott is being felt—whether it would not be more prudent to produce sufficient oil just to cover the import of products and to keep as much in the ground as possible for the long term.

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Situated in one of Cairo's most exclusive suburbs, the Heliopolis Sheraton is only minutes from the airport, and half-an-hour from the city centre. With nearly 700 air-conditioned, sound-proofed rooms, it makes an ideal base for exploring the Pyramids, the Mosques, the Citadel and the Khan Khalili bazaar.

GOING PLACES ON THE NILE

HS Tut and HS Aton are two specially-built hotel boats which cruise the Nile Valley between Luxor and Aswan in a leisurely five days. Complete with air-conditioned cabins and swimming pool, Sheraton's Nile cruise ships offer the perfect way to see the Temple of Karnak, the Necropolis of Thebes, the Tomb of Tutankhamun and the Aswan Dam.

GOING PLACES ON THE RED SEA

The new Red Sea paradise of Hurghada now has a new low-rise hotel located on a superbly unspoiled white sand beach. The Hurghada Sheraton offers unrivalled opportunities for skin-diving in the clear unpolluted waters of the Red Sea which team with multi-coloured tropical fish, whilst expeditions to the Valley of the Kings at Luxor are also available.

SHERATON HOTELS For group reservations 01-408 2408 For individual reservations 01-636 6411 or call your nearest travel agent.

Sheraton Hotels in Egypt

EGYPT X

Agriculture

Food gap is widening



Egypt is now self sufficient in fruit and vegetables and has been able to export increasing amounts. Orange exports last year were around 200,000 tons.

AGRICULTURE REMAINS the most important sector of the Egyptian economy, but its contribution has been declining, particularly in the past few years. Its share of GDP has declined from 34 per cent in 1956 to 31 per cent in 1975 to 25 per cent last year. Meanwhile the population which Egypt has to feed is increasing at a rate of around 1m or 2.5 per cent a year.

The biggest problem facing Egyptian agriculture, and indeed the economy as a whole, is this widening food gap. Population and consumption are increasing at a faster rate than both agricultural production and export earnings. As a result Egypt is now spending twice as much on agricultural imports as it earns in exports. In the early 1970s Egypt's agricultural imports averaged \$300m. By 1974 the country was running a deficit on its agricultural trade, and in 1977 was importing \$1.8bn-worth, while exporting only some \$1.1bn. Last year the import bill rose again to \$2bn, while exports stagnated at the \$1bn mark where they have been for the past few years.

The Government has made food security the priority of its current five year plan for agriculture. Its aim is to improve output through "horizontal growth" by expanding the area under cultivation, through "vertical growth" by increasing productivity and through improved livestock production.

Since less than 4 per cent of the country's land is cultivable, amounting to some 6.2m feddans (6.4m acres), Egypt's only means of increasing the area under cultivation is through land reclamation, in which it has been investing heavily. Since the late 1960s, when the Aswan High Dam was built, it has reclaimed some 912,000 feddans, and under the current plan it aims to add another 657,000 feddans. But experience has shown that this exercise has been more costly than anticipated. The results, too, in terms of yields are very disappointing. The "new lands" contribute only some 2-3 per cent to agricultural output. In addition, some 20,000 to 40,000 feddans of the cultivable land are lost each year to housing and industry.

Another constraint is poor drainage, affecting 90 per cent of the land, which ironically has been the indirect result of year-round irrigation provided by the High Dam. It has produced a steady rise in the water table, resulting in waterlogging and increased salinity and thus reduced productivity of the soil. It is estimated that improved drainage could increase productivity by 21-30 per cent. The Government is currently undertaking a major tile drainage programme covering 5m feddans, which will not, however, be completed until at least 1985.

The prospects for improving productivity through vertical growth are also limited given the agricultural system. Production is essentially in private hands, with the Government exercising its control through crop quotas for what it regards as the essential crops. It dictates either the area to be planted and sold to the Government, as in the case of cotton, or the output per area to be sold to the Government. In both cases the farmer receives a guaranteed fixed price for these amounts. The main crops governed in this way are cotton, rice, wheat and lentils and sugarcane.

But far from promoting the growth of these crops, the system acts as a disincentive

since the price paid by the Government is on average between 20 and 50 per cent lower than the market price. To compensate for this the farmer receives free water and drainage along with subsidised seeds, fertilisers and pesticides, but these by no means make up for the lower prices.

In an attempt to counter criticism of its pricing and quota policy the Government raised the price of six of these essential crops in January of this year by around 30 per cent. It is, however, too early to see whether this has proved a stimulus.

Output figures for 1978, meanwhile, give little indication that the Government's target of achieving food security will be met, agricultural output as a whole was up only 1.8 per cent in value at E£2.85bn (E1.8bn), while production per capita was down slightly.

It was an unusually good year for cotton, the chief export crop (dealt with elsewhere in this survey). Cereal production also increased, with output of the main crops—wheat, corn (maize) and rice up 12 per cent. But, with the exception of corn, this was largely a return to 1976 levels after the depressed output of 1977.

Wheat is used primarily for making bread, which is the most important item in the diet. The price of bread is heavily subsidised so that it is sold at less than a third of the cost. As a result consumption has increased at the rate of 8 per cent a year. Consequently the demand for wheat and wheat flour is expanding rapidly—public sector bakeries recently increased capacity from 360,500 kg (8,065 sacks) a day to 506,300 kg (5,063 sacks) a day.

Wheat consumption last year is put at 7m tons, a rise of 15 per cent, but only 2m tons of this was produced locally despite the fact that more land is being devoted to wheat at the expense of cotton—from 1.2m feddans in 1977 to 1.38m last year and 1.4m this year. Thus Egypt only produces some 28 per cent of its wheat needs. To become self-sufficient it would have to devise at least three times the land to wheat that it does now, which would amount to 60 per cent of the cultivable land.

Yields

Egypt, therefore, has to import increasing amounts of wheat—up from 2m tons in the early 1970s to 5m tons last year, most of it coming from the U.S.

But although Egypt meets only 28 per cent of its wheat needs, it is over 80 per cent self-sufficient in maize, which is the staple diet of the fellah (peasant) and is used in bread-making as well as for cattle and poultry feed. Last year production was up 17 per cent at 3m tons as a result of abnormally high yields and an increase in the area planted. This was the result of the abolition of subsidies on imports in 1977, which pushed the farmer's price up 50 per cent—no quotas or prices are fixed on maize.

The rice crop is important to the Government both because it is popular in the urban areas and because it is exported. But due to the low Government price the area planted was down 4 per cent last year, though good yields held production at the 197 level of 2.3m tons. The Government has now increased the price by about 30 per cent, but at E£65 a ton it is still less than the farmer gets for maize. However, the increase is

expected to result in a 100,000 feddans rise in the area planted and output of 2.4m tons this year which should produce some 100,000 tons for export. But it seems likely that before long Egypt will become a net rice importer as consumption outpaces production.

Soyabean is a relatively new crop which the farmer is allowed to substitute for cotton in quotas. Since its returns are higher and the labour requirements lower, it has proved popular, so output last year rose to 79,000 tons from 28,000 tons in 1977 and is likely to be 100,000 tons this year. It is currently grown as poultry feed, but as output expands it is expected to be used for providing vegetable oil. Egypt currently has to import 75 per cent of its oil needs since it produces only some 100,000 tons from cotton seed.

While cereal output has at least recovered to 1977 levels, livestock production, with the exception of poultry, is declining. Last year red meat output totalled 328,500 tons, mainly from buffalo, cattle and sheep. But as per capita income rises, consumption, though standing in relative terms is export 75 per cent to reach 441,000 tons last year, so local output was supplemented with imports of 113,000 tons of beef mainly from Argentina, Australia and Uruguay. This is sold at a subsidised rate under ration.

The main limitation on livestock output is the lack of pasture land and shortage of feed, especially in the summer months. During the winter more land is devoted to feed crops such as berseem (clover), grown on the same areas as cotton in the summer. But as this reduces the land available for basic food and cash crops, further expansion is limited. Another factor affecting meat output is that farmers still use their animals to work the land.

Efforts are being made to step up production both of meat and milk, in which Egypt is also deficient, through importing Friesian cows and by cross-breeding local herds with imported semen. This is being done, for instance, by the North Tahrir Agricultural Company, which is also trying to persuade small farmers to delay the slaughtering of young buffalo calves.

To save the mother's milk the farmer tend to kill the calves when only two months old. But at this age they weigh only 50kg,

whereas if they are slaughtered at, say, 20 months their weight has increased to 500 kg, which produces some 250 kg of red meat. Since some 400,000 calves are slaughtered each year at two months, the North Tahrir company argues that keeping them all alive until they are 20 months old before slaughtering would produce 112.5m kg or 113,000 tons—the amount Egypt had to import last year. So this system could, in theory, make Egypt self-sufficient.

But despite such efforts, Mr. Mohamed el Salhy, first Under-Secretary at the Ministry of Agriculture, says it will take Egypt another 15 years at least to become anything like self-sufficient. He regards poultry as the best means of increasing meat protein. Poultry production has been steadily increasing over the past ten years, with meat and eggs output virtually doubling to 115,000 tons and 1.9bn eggs last year. Even so, Egypt still has to import frozen poultry, and the current year's estimate is 20,000 tons.

Fish is potentially a relatively cheap source of protein in Egypt, but so far little has been achieved in either promoting consumption or boosting output. Under the current plan, however, efforts are being made both to expand the capacity of the fishing fleet and to set up fish farms.

A much more successful sector of Egyptian agriculture is fruit and vegetable growing, where there is no Government control or price fixing, except at the retail level. Since farmers are able to grow three crops a year with high returns, they are devoting more and more of their land to these crops. The land used for vegetables has increased from 670,000 feddans ten years ago to 915,000 feddans last year, which is to be increased to 970,000 feddans this year, while the orchard area has expanded over the same period from 208,000 feddans to 330,000 feddans.

As a result Egypt is self-sufficient in fruit and vegetables and is able to export an increasing amount, mainly to the EEC and the Middle East. The main vegetables exported are potatoes, of which around 166,124 tons are exported, and onions of which 80,900 tons are exported. The main fruit export is sweet oranges, averaging around 200,000 tons a year.

Fruit and vegetables—the very area over which the Government has no control or direction—appears to be the only sector where Egypt has

been successful in achieving food security. Significantly it is the only area, along with poultry, which has attracted foreign investment. Egypt clearly has no chance in the foreseeable future of achieving self-sufficiency in food. Even recognising that food security does not necessarily mean self-sufficiency, Egypt is still no nearer its plan target. Its agricultural exports are stagnating while their buying power is decreasing in terms of the imports they can finance.

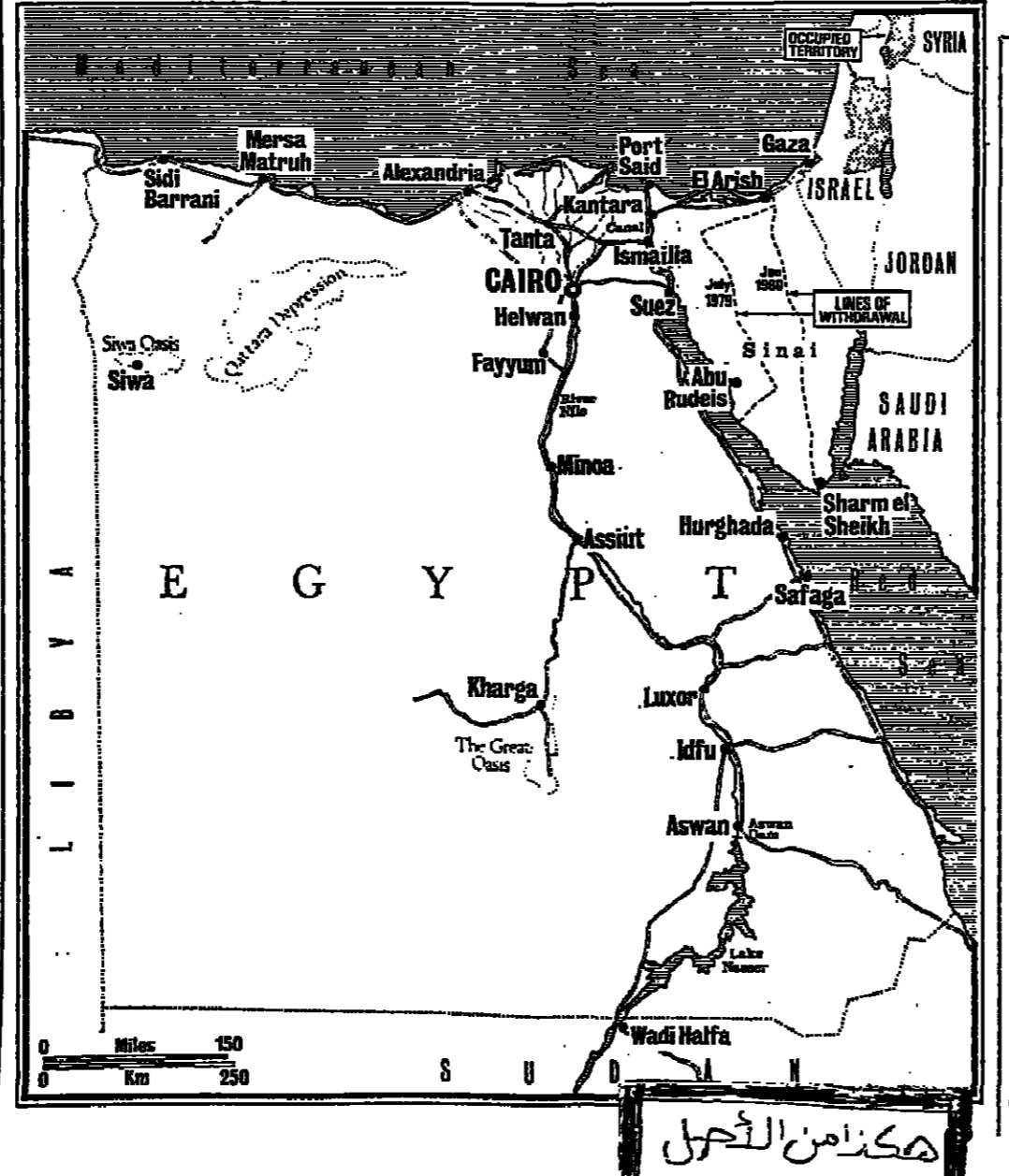
Egypt's dilemma is that its food crops are competing with its cash crops for the limited land available. Yet there appears to have been no real evaluation, let alone decision, as to which is the most economic for the country to pursue.

Margaret Hughes

Advertisement for International Air Cargo Corporation, Air Cargo Egypt. Includes contact information for various branches and agents like Arab African International Bank.

Advertisement for Al Chark Insurance Company, featuring a logo and details about life assurance and reinsurance services.

Advertisement for Delta International Bank, highlighting its services and expansion in Egypt.



Large advertisement for EAB (Egyptian American Bank), promoting its services as a joint venture between American Express and Bank of Alexandria.

INTNL. COMPANIES and FINANCE

PENDING DIVS. RECENT ISSUES

Exxon bid restrained by court

THE Federal Trade Commission won the first round at the weekend in its bid to block Exxon Corporation's \$1.17bn takeover of Balance Electric Company.

Alfa Romeo not up for sale

A FLURRY of denials has greeted reports here that Alfa Romeo, Italy's publicly owned second largest motor manufacturer, might shortly be sold off to Fiat or a foreign car group.

Pan Am buys TXIA stake in National

TEXAS International Airlines has decided to bow out of the battle to acquire National Airlines and to sell its 24 per cent holding in the Miami-based carrier to Pan American World Airways.

Profits rise at Woolworths

SOUTH AFRICAN retail chain Woolworths reports a 13.9 per cent increase in profits for the 53 weeks to May 31, 1979.

Privatbanken to buy out other UIB shareholders

PRIVATBANKEN, one of Denmark's leading commercial banks, is to acquire United International Bank (UIB), the London-based consortium bank.

Sharp advance at Kennecott

THE LARGEST copper producer in the U.S., Kennecott Copper, turned in net earnings for the second quarter of \$1 per share compared with 10 cents a share last time.

CURRENCIES, MONEY and GOLD

Dollar on shaky ground

Central bank support pushed up the dollar against most currencies last week. The notable exception was sterling, which not only continued to rise against the dollar, but was at its highest in terms of major currencies for almost four years.

OTHER MARKETS

including three upward adjustments to the discount rate, which now stands at 9 per cent. The last change in the French discount rate was nearly two years ago, but the present 9 per cent is being further out of line with money market rates.

CURRENCY RATES

Table with columns for currency, bank, and rate. Includes entries for Sterling, Swiss Franc, Japanese Yen, etc.

THE DOLLAR SPOT AND FORWARD

Table showing dollar spot and forward rates for various currencies like U.S., Canada, U.K., etc.

EXCHANGE CROSS RATES

Table showing exchange rates between various currencies including Pound Sterling, U.S. Dollar, Deutschmark, etc.

THE POUND SPOT AND FORWARD

Table showing pound spot and forward rates for various currencies like U.S., Canada, U.K., etc.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms like overnight, one month, etc.

MONEY RATES

Table showing money rates for New York, Germany, France, and Japan.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table of pending dividends with columns for company name, date, and amount.

EQUITIES

Table of equity prices for various stocks like Arrow Chemicals, Falgout, etc.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for stock name, price, and yield.

"RIGHTS" OFFERS

Table of rights offers for various companies like Bank of New South Wales, etc.

BASE LENDING RATES

Table of base lending rates for various banks and financial institutions.

Renunciation date usually last day for dealing free of stamp duty. Figures based on prospectus estimate.

Public Works Loan Board rates

Table of Public Works Loan Board rates for different terms and maturities.

INSURANCE BASE RATES

Table of insurance base rates for Vanhugh Guaranteed, Property Growth, etc.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.

Index Guide as at July 26, 1979. Capital Fixed Interest Portfolio 116.37. Income Fixed Interest Portfolio 105.00.

Advertisement for Gould International Finance N.V. featuring US \$50,000 Guaranteed Notes due 1985. Includes contact information for Kidder, Peabody International.

FINANCE FOR INDUSTRY TERM DEPOSITS

Table of finance for industry term deposits with columns for terms, interest rate, and deposit amount.

LOCAL AUTHORITY BOND TABLE

Table of local authority bond information including authority name, interest rate, and maturity.

SIMCO MONEY FUNDS

Table of Simco Money Funds with columns for fund name, rate, and term.

EUROBONDS

Table of Eurobonds with columns for issuer, rate, and maturity.

INSURANCE

Householders offered insurance advice

AT ONE TIME household business provided British insurers with the jam to put on the bread and butter earned from commercial property business.

Inflation-bred under-insurance has long been recognised as one of the main reasons for the collection of inadequate premiums.

When the leaflet was introduced BIA promised regular revision, and the 1979 leaflet should appear in early November. It will contain a new chart of building costs...

TEL AVIV table with columns for Company, Prices, and Change. Includes entries for Bank Leumi, IDB, and others.

FT GROCERY INDEX WORLD STOCK MARKETS

Fruit and vegetable prices come down

THIS YEAR'S first fall in the Financial Times grocery price index shows in the figures for this month. The index fell by 1.23 percentage points from 116.02 in June to 114.79.

Last month, the expected fall in the basket did not materialise because wet weather in May and June kept fresh fruit and vegetable prices higher than normal for the time of year.

FINANCIAL TIMES SHOPPING BASKET table with columns for Item, July, and June. Includes Dairy produce, Bread, and various meats.

Indices

NEW YORK - DOW JONES table with columns for Date, High, Low, and Change. Includes Industrial, Transport, and Utilities indices.

EUROPE

AMSTERDAM, BRUSSELS/LUXEMBOURG, COPENHAGEN, VIENNA, GERMANY, MILAN, OSLO, PARIS tables with columns for Date, Price, and Change.

N.Y.S.E. ALL COMMON table with columns for Date, High, Low, and Change. Includes Industrial, Composite, and Gold indices.

FRIDAY'S ACTIVE STOCKS table with columns for Stock Name, Price, and Change. Lists various international stocks.

TOKYO table with columns for Date, Price, and Change. Lists various Japanese stocks.

WALL STREET

NEW YORK table with columns for Date, High, Low, and Change. Lists various US stocks.

Table with columns for Date, High, Low, and Change. Lists various international stocks.

Table with columns for Date, Price, and Change. Lists various international stocks.

Table with columns for Date, Price, and Change. Lists various international stocks.

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هكمان الأهل

INTERNATIONAL CAPITAL MARKETS

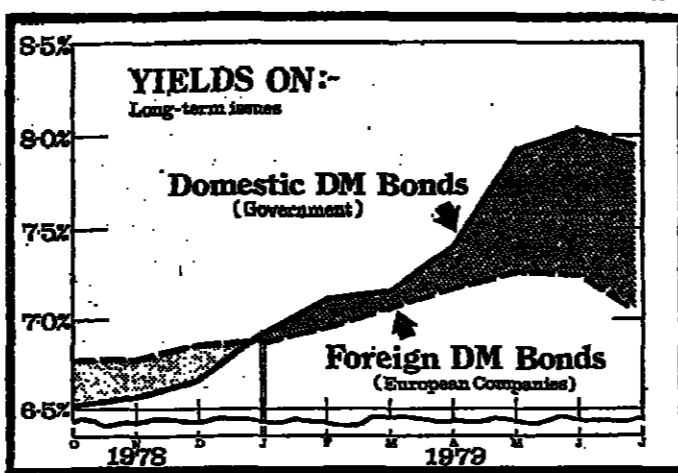
BY FRANCIS GHILES

Companies and Markets

INTERNATIONAL BONDS

Spotlight on the innovators

THE Eurodollar bond markets last week, the introduction of a new type of D-Mark bond...



The exercise was, of course, made easier by the quality and maturity of the paper...

The exercise was, of course, made easier by the quality and maturity of the paper...

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount, Maturity, Av. life years, Coupon, price, Lead Manager, Offer yield %.

MEDIUM-TERM FINANCE

Mexico's fine terms spark debate

MEXICO can this week claim to be the first of the developing nations to offer substantial amounts of its Eurocurrency debt...

that there are no amortisation features. The lead manager is Westdeutsche Landesbank.

BY JOHN EVANS

U.S. BONDS BY JOHN WYLES

A stronger undertone

ABLE TO identify a new Treasury Secretary, in whom it has some confidence and, more important, a new Federal Reserve Board chairman...

FT INTERNATIONAL BOND SERVICE

Table with columns: U.S. DOLLAR STRAIGHTS, OTHER STRAIGHTS, FLOATING RATE, CONVERTIBLE, EUROPEAN STRAIGHTS.

BONDTRADE INDEX AND YIELD

Table with columns: Medium term, Long term, High, Low.

EUROBOND TURNOVER

Table with columns: U.S. \$ bonds, Other bonds.

* No information available - previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS

The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units...

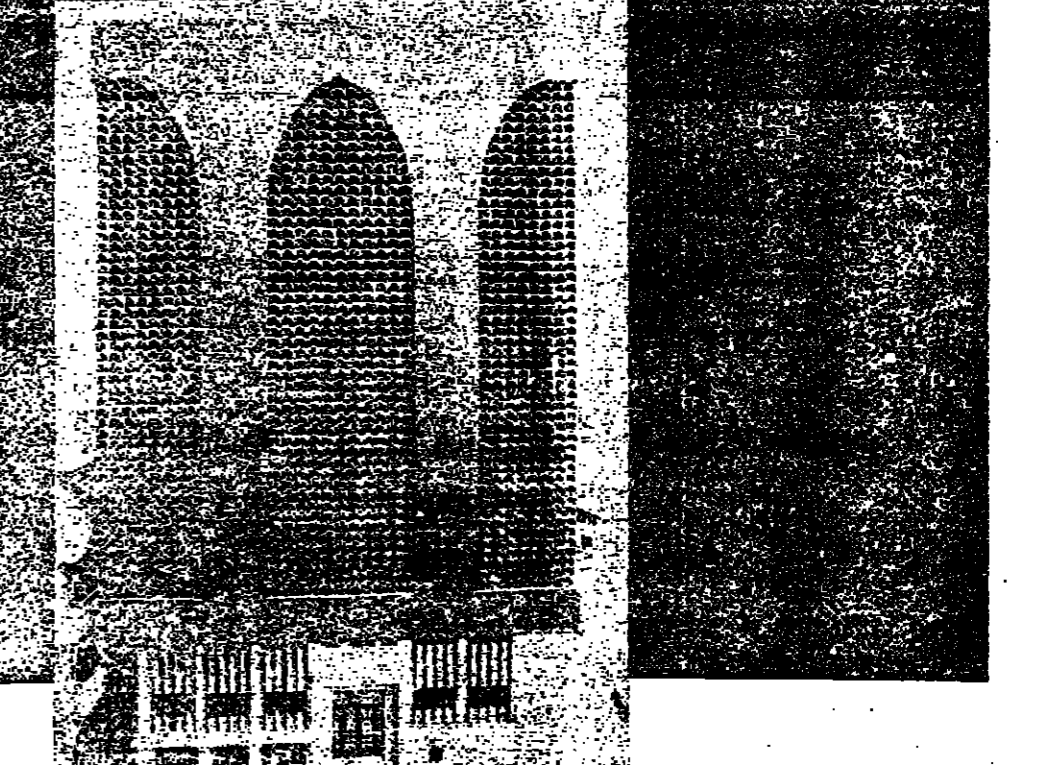
FLOATING RATE NOTES

Denominated in dollars unless otherwise indicated. Cbg. date = Change on day, Conv. date = First date for conversion into shares.

CONVERTIBLE BONDS

The list shows the 300 latest international bonds for which an adequate secondary market exists.

If you want to succeed in the Middle East talk to the biggest bank in the Middle East



Our financing resources run into billions of dollars. Our clients include governments, institutions and multi-national companies.

THE NATIONAL COMMERCIAL BANK

Our business is to help your business. Head Office P O Box 3555, King Abdul Aziz Street, Jeddah, Saudi Arabia

AUTHORISED UNIT TRUSTS

Table of authorised unit trusts including names like 'Aberdeen Fund Managers Ltd', 'Aberdeen Unit Trust Managers Ltd', and various fund names with their respective details.

Table of insurance and property bonds, including 'Aberdeen Life Assurance Co. Ltd', 'Aberdeen Property Assurance Co. Ltd', and other financial entities.

INSURANCE AND PROPERTY BONDS

Table of insurance and property bonds, including 'Aberdeen Life Assurance Co. Ltd', 'Aberdeen Property Assurance Co. Ltd', and other financial entities.

Table of offshore and overseas funds, including 'Aberdeen Overseas Fund', 'Aberdeen International Fund', and other international investment vehicles.

OFFSHORE AND OVERSEAS FUNDS

Table of offshore and overseas funds, including 'Aberdeen Overseas Fund', 'Aberdeen International Fund', and other international investment vehicles.

NOTES: General notes regarding the unit trusts and their performance, including information on dividends and fees.

NOTES: General notes regarding the insurance and property bonds, including information on premiums and coverage.

NOTES: General notes regarding the offshore and overseas funds, including information on currency and risk.

ABMTM Group of Companies
Machine Tools
Marine
Education and Science
Projects
Head Office: 20 Park Street, London W1

FT SHARE INFORMATION SERVICE

FOREIGN BONDS & RAILS

Table with columns for Country, Stock, Price, Div. Yield, etc. Includes entries for Argentina, Chile, Colombia, etc.

BANKS & HP—Continued

Table listing various bank and insurance companies with their respective stock prices and dividend yields.

CHEMICALS, PLASTICS—Cont.

Table listing chemical and plastic companies and their stock prices.

ENGINEERING—Continued

Table listing engineering companies and their stock prices.

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Table listing short-term British funds with their stock prices and yields.

Five to Fifteen Years

Table listing British funds with a maturity of five to fifteen years.

Over Fifteen Years

Table listing long-term British funds with a maturity of over fifteen years.

Undated

Table listing undated British funds.

AMERICANS

Table listing American stocks and their prices.

Hire Purchase, etc.

Table listing hire purchase and similar services.

DRAPERY AND STORES

Table listing drapery and stores companies.

BEERS, WINES AND SPIRITS

Table listing beer, wine, and spirit companies.

Over Fifteen Years

Table listing long-term British funds.

Undated

Table listing undated British funds.

CANADIANS

Table listing Canadian stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building, timber, and road companies.

Over Fifteen Years

Table listing long-term British funds.

Undated

Table listing undated British funds.

Over Fifteen Years

Table listing long-term British funds.

Undated

Table listing undated British funds.

INTERNATIONAL BANK

Table listing international banks.

CORPORATION LOANS

Table listing corporation loans.

LOANS

Table listing various loans.

Public Bond and Ind.

Table listing public bonds and industrial stocks.

Financial

Table listing financial companies.

BANKS AND HIRE PURCHASE

Table listing banks and hire purchase services.

Over Fifteen Years

Table listing long-term British funds.

Undated

Table listing undated British funds.

Over Fifteen Years

Table listing long-term British funds.

Undated

Table listing undated British funds.

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FOOD, GROCERIES—Cont.

Table listing food and grocery companies and their stock prices.

HOTELS AND CATERERS

Table listing hotels and caterers companies.

INDUSTRIALS (Miscel)

Table listing various industrial companies.

ELECTRICALS

Table listing electrical companies.

FOOD, GROCERIES, ETC.

Table listing food, grocery, and other companies.

ENGINEERING MACHINE TOOLS

Table listing engineering and machine tool companies.

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock name, price, and volume.

INSURANCE—Continued

Table of insurance stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

PROPERTY—Continued

Table of property-related stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Overseas Airways, British Airways, and British Caledonian.

FINANCE, LAND—Continued

Table of finance and land-related stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

OKASAN SECURITIES CO. LTD. London Branch: Buckingham House, 62-63 Queen St., London EC4A 3DF. Tel: 01-248 5044.

MINES—AUSTRALIAN

Table of Australian mining stocks including companies like Anglo American, BHP, and Rio Tinto.

TINS

Table of tin stocks including companies like Anglo American, BHP, and Rio Tinto.

COPPER

Table of copper stocks including companies like Anglo American, BHP, and Rio Tinto.

MISCELLANEOUS

Table of miscellaneous stocks including companies like Anglo American, BHP, and Rio Tinto.

GOLDS EX-GRANDIS

Table of gold stocks including companies like Anglo American, BHP, and Rio Tinto.

NOTES

Unless otherwise indicated, prices and bid/ask spreads are in pence. All shares are quoted in London unless otherwise stated.

REGIONAL MARKETS

Table of regional market data for various countries including the USA, Canada, and Europe.

OPTIONS

Table of options data including call rates for various stocks.

INSURANCE

Table of insurance stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

PROPERTY

Table of property-related stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks including companies like British Overseas Airways, British Airways, and British Caledonian.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like Anglo American, BHP, and Rio Tinto.

CENTRAL AFRICAN

Table of Central African stocks including companies like Anglo American, BHP, and Rio Tinto.

